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LEGISLATIVE HISTORY

Public Law 268--81st Congress

Chapter 512--1st Session

H. R. 3825

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CROP INSURANCE. Amends the Federal Crop Insurance Act to include provisions as follows: Authorizes an increase each year in the number of counties in which insurance can be offered; limits the increase to 50% of the basic authorization specified in the act. Removes the requiring indemnities to be paid on a pro-rata reduced basis, beginning with the crop year 1950, when indemnities exceed premiums. Removes the legislative limitation on use of administrative-expense funds of 25 percent of premiums collected in the preceding year. Cancels outstanding receipts for capital stock in excess of \$27,000,000. Provides insurance protection to tobacco farmers while their tobacco is being cured in the barn. Reduces the compensation limitation of the members of the Board of Directors not employed by the Government from \$100 to \$50 per day when employed. Directs that the expanded program be instituted beginning with the 1950 crop year, and authorizes the Corporation to spend at a deficiency rate until a supplemental appropriation can be made available.

INDEX AND SUMMARY OF HISTORY ON H. R. 3825

February 10, 1949 S. 898 was introduced by Senator Thomas and was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced. (Companion bill).

March 25, 1949 H. R. 3825 was introduced by Representative Abbitt and was referred to the House Committee on Agriculture. Print of the bill as introduced.

Hearings: House. H. R. 3825.

April 9, 1949 House Committee reported H. R. 3825 with amendments. House Report 420. Print of the bill as reported.

May 2, 1949 H. R. 3825 was discussed in the House and passed over on objection.

May 16, 1949 House Rules Committee reported H. Res. 212 for the consideration of H. R. 3825. House Report 585. Print of the Resolution.

May 17, 1949 House began debate.

May 18, 1949 House passed H. R. 3825 as reported.

May 19, 1949 Print of H. R. 3825 as referred to the Senate Committee on Agriculture and Forestry.

June 27, 1949 Senate Committee reported H. R. 3825 with amendments. Senate Report 592. Print of the bill as reported.

July 6, 1949 Senate discussed and passed over H. R. 3825.

July 26, 1949 Senate discussed and passed over H. R. 3825.

August 9, 1949 Senate passed H. R. 3825 with amendments.

August 15, 1949 House agreed to the Senate amendments.

August 25, 1949 Approved. Public Law 268.

81ST CONGRESS
1ST SESSION

S. 898

IN THE SENATE OF THE UNITED STATES

FEBRUARY 10, 1949

Mr. THOMAS of Oklahoma introduced the following bill; which was read twice
and referred to the Committee on Agriculture and Forestry

A BILL

To amend the Federal Crop Insurance Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection (a) of section 508 of the Federal Crop
4 Insurance Act, as amended, is amended to read as follows:
5 “(a) Commencing with crops planted for harvest in
6 1948, for the purpose of determining the most practical
7 plan, terms, and conditions of insurance for agricultural com-
8 modities, if sufficient actuarial data are available, as deter-
9 mined by the Board, to insure, or to reinsure insurers of,
10 producers of such agricultural commodities under any plan or
11 plans of insurance determined by the Board to be adapted to

1 any such commodity. In 1948 insurance shall be limited to
2 not more than seven agricultural commodities (including
3 wheat, cotton, flax, corn, and tobacco) and to not more than
4 three additional agricultural commodities in each year there-
5 after: *Provided*, That other agricultural commodities may
6 be included in multiple crop insurance (insurance on two or
7 more agricultural commodities under one contract with a
8 producer). Insurance shall be limited to producers in not
9 to exceed two hundred counties in the case of wheat, fifty-
10 six counties in the case of cotton, fifty counties each in the
11 case of corn and flax, thirty-five counties in the case of
12 tobacco, twenty counties in the case of any other agricultural
13 commodity, and, in addition, fifty counties in the case of
14 multiple crop insurance: *Provided further*, That, beginning
15 with crops planted for harvest in 1950, the number of coun-
16 ties for insurance on wheat, cotton, corn, flax, and tobacco,
17 and for multiple crop insurance may be increased each year
18 by not in excess of 50 per centum of the number of counties
19 in which such insurance was provided the previous year and
20 the county limitations specified for other insurance may be
21 similarly increased as to any agricultural commodity after
22 insurance for such commodity has been provided for three
23 years. Reinsurance for private insurance companies shall
24 be limited to not to exceed twenty counties which may be
25 selected without regard to the other county limitations

1 specified herein. Such insurance shall be against loss of the
2 insured commodity due to unavoidable causes, including
3 drought, flood, hail, wind, frost, winter-kill, lightning, fire,
4 excessive rain, snow, wildlife, hurricane, tornado, insect in-
5 festation, plant disease, and such other unavoidable causes as
6 may be determined by the Board. Any insurance offered
7 against loss in yield shall not cover in excess of 75 per centum
8 of the recorded or appraised average yield of the commodity
9 on the insured farm for a representative period subject to
10 such adjustments as the Board may prescribe to the end that
11 the average yields fixed for farms in the same area, which are
12 subject to the same conditions, may be fair and just: *And*
13 *provided further*, That if 75 per centum of the average yield
14 represents generally more protection than the investment in
15 the crop in any area, taking into consideration recognized
16 farming practices, the Board shall reduce such maximum
17 percentage so as more nearly to reflect the investment in the
18 crop in such area. Insurance provided under this sub-
19 section shall not cover losses due to the neglect or malfeasance
20 of the producer, or to the failure of the producer to reseed
21 to the same crop in areas and under circumstances where it is
22 customary to so reseed, or to the failure of the producer to
23 follow established good farming practices. Counties selected
24 by the Board shall be representative of the several areas
25 where the agricultural commodity insured is normally pro-

1 duced. The Board may limit or refuse insurance in any
2 county or area, or on any farm, on the basis of the insurance
3 risk involved. Insurance shall not be provided in any
4 county unless written applications therefor are filed covering
5 at least two hundred farms or one-third of the farms normally
6 producing the agricultural commodity, excluding farms re-
7 fused insurance on the basis of the risk involved; nor shall
8 insurance on any agricultural commodity be provided in any
9 county in which the Board determines that the income
10 from such commodity constitutes an unimportant part of the
11 total agricultural income of the county. The Corporation
12 shall report annually to the Congress the results of its opera-
13 tions as to each commodity insured.”

14 SEC. 2. Subsection (b) of section 508 of the Federal
15 Crop Insurance Act, as amended, is amended by striking
16 out the proviso in the second sentence and the colon which
17 precedes it and substituting a period therefor.

18 SEC. 3. Subsection (c) of section 508 of the Federal
19 Crop Insurance Act, as amended, is amended to read as
20 follows:

21 “(c) To adjust and pay claims for losses in the agri-
22 cultural commodity or in cash, under rules prescribed by
23 the Board: *Provided*, That indemnities may be determined
24 on the same price basis as premiums are determined for
25 the crop with respect to which such indemnities are paid.

1 The Corporation shall provide for the posting annually in
2 each county at the county courthouse of a list of indemnities
3 paid for losses on farms in such county. In the event that
4 any claim for indemnity under the provisions of this title
5 is denied by the Corporation, an action on such claim may
6 be brought against the Corporation in the United States
7 district court sitting in the district in which the insured farm
8 is located, and jurisdiction is hereby conferred upon such
9 district courts to determine such controversies without re-
10 gard to the amount in controversy: *Provided*, That no
11 suit on such claim shall be allowed under this section unless
12 the same shall have been brought within one year after
13 the date when notice of denial of the claim is mailed to
14 and received by the claimant.”

15 SEC. 4. Subsection (e) of section 508 of the Federal
16 Crop Insurance Act, as amended, is hereby repealed.

17 SEC. 5. Subsection (a) of section 504 of the Federal
18 Crop Insurance Act is amended by striking out the second
19 sentence thereof.

20 SEC. 6. The Secretary of the Treasury is hereby au-
21 thorized and directed to cancel, without consideration, out-
22 standing receipts for payments for or on account of the
23 stock of the Corporation in excess of \$27,000,000.

24 SEC. 7. Subsection (b) of section 504 of the Federal
25 Crop Insurance Act is amended to read as follows:

1 “(b) There is hereby authorized to be appropriated such
2 sums as are necessary for the purpose of subscribing to the
3 capital stock of the Corporation.”

4 SEC. 8. Subsection (c) of section 505 of the Federal
5 Crop Insurance Act, as amended, is amended by striking
6 out the second sentence and inserting in lieu thereof the
7 following: “The members of the Board who are not em-
8 ployed by the Government shall be paid such compensation
9 for their services as directors as the Secretary of Agriculture
10 shall determine, but such compensation shall not exceed
11 \$100 per day each when actually employed and transporta-
12 tion expenses plus not to exceed \$10 per diem for subsistence
13 and other expenses when on business of the Corporation
14 away from their homes or regular places of business.”

15 SEC. 9. Subsection (h) of section 506 of the Federal
16 Crop Insurance Act, as amended, is amended to read as
17 follows:

18 “(h) may conduct researches, surveys, and investi-
19 gations relating to crop insurance and shall assemble
20 data for the purpose of establishing sound actuarial bases
21 for insurance on agricultural commodities.”

22 SEC. 10. Subsection (a) of section 507 of the Federal
23 Crop Insurance Act is amended to read as follows:

24 “(a) The Secretary shall appoint such officers and em-
25 ployees as may be necessary for the transaction of the business

1 of the Corporation pursuant to civil-service laws and regu-
2 lations, fix their compensation in accordance with the pro-
3 visions of the Classification Act of 1923, as amended, define
4 their authority and duties, delegate to them such of the
5 powers vested in the Corporation as he may determine,
6 require bond of such of them as he may designate, and fix
7 the penalties and pay the premiums of such bonds: *Pro-*
8 *vided*, That personnel paid by the hour, day, or month when
9 actually employed, county crop insurance committeemen and
10 other county personnel and State crop insurance directors
11 may be appointed and their compensation fixed without
12 regard to civil-service laws and regulations or the Classi-
13 fication Act of 1923, as amended.”

14 SEC. 11. Section 518 of the Federal Crop Insurance
15 Act, as amended, is amended by striking therefrom the
16 words “determined by the Board pursuant to subsection (a)
17 (2) of section 508 of this title” and substituting therefor
18 the words “determined by the Board pursuant to subsection
19 (a) of section 508 of this title”.

A BILL

To amend the Federal Crop Insurance Act.

By Mr. THOMAS of Oklahoma

FEBRUARY 10, 1949

Read twice and referred to the Committee on
Agriculture and Forestry

81ST CONGRESS
1ST SESSION

H. R. 3825

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1949

Mr. ABBITT introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Federal Crop Insurance Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection (a) of section 508 of the Federal Crop
4 Insurance Act, as amended, is amended to read as follows:
5 “(a) Commencing with crops planted for harvest in
6 1948, for the purpose of determining the most practical
7 plan, terms, and conditions of insurance for agricultural
8 commodities, if sufficient actuarial data are available, as
9 determined by the Board, to insure, or to reinsure insurers
10 of, producers of such agricultural commodities under any
11 plan or plans of insurance determined by the Board to be

1 adapted to any such commodity. Such insurance shall be
2 against loss of the insured commodity due to unavoidable
3 causes, including drought, flood, hail, wind, frost, winter-
4 kill, lightning, fire, excessive rain, snow, wildlife, hurricane,
5 tornado, insect infestation, plant disease, and such other
6 unavoidable causes as may be determined by the Board.
7 In 1948 insurance shall be limited to not more than seven
8 agricultural commodities (including wheat, cotton, flax,
9 corn, and tobacco) and to not more than three additional
10 agricultural commodities in each year thereafter: *Provided*,
11 That other agricultural commodities may be included in
12 multiple crop insurance (insurance on two or more agri-
13 cultural commodities under one contract with a producer).
14 Insurance shall be limited to producers in not to exceed two
15 hundred counties in the case of wheat, fifty-six counties in
16 the case of cotton, fifty counties each in the case of corn and
17 flax, thirty-five counties in the case of tobacco, twenty
18 counties in the case of any other agricultural commodity,
19 and, in addition, fifty counties in the case of multiple crop
20 insurance: *Provided further*, That, beginning with crops
21 planted for harvest in 1950, the number of counties for
22 insurance on wheat, cotton, corn, flax, and tobacco, and for
23 multiple crop insurance may be increased each year by
24 not in excess of 50 per centum of the number of counties
25 in which such insurance was provided the previous year

1 and the county limitations specified for other insurance may
2 be similarly increased as to any agricultural commodity after
3 insurance for such commodity has been provided for three
4 years. Reinsurance for private insurance companies shall
5 be limited to not to exceed twenty counties which may be
6 selected without regard to the other county limitations speci-
7 fied herein. Any insurance offered against loss in yield,
8 shall not cover in excess of 75 per centum of the recorded
9 or appraised average yield of the commodity on the insured
10 farm for a representative period subject to such adjustments
11 as the Board may prescribe to the end that the average
12 yields fixed for farms in the same area, which are subject to
13 the same conditions, may be fair and just: *Provided further,*
14 That if 75 per centum of the average yield represents gen-
15 erally more protection than the investment in the crop in any
16 area, taking into consideration recognized farming practices,
17 the Board shall reduce such maximum percentage so as more
18 nearly to reflect the investment in the crop in such area.
19 Insurance provided under the subsection shall not cover
20 losses due to the neglect or malfeasance of the producer,
21 or to the failure of the producer to reseed to the same crop
22 in areas and under circumstances where it is customary to
23 so reseed, or to the failure of the producer to follow estab-
24 lished good farming practices. Counties selected by the
25 Board shall be representative of the several areas where

1 the agricultural commodity insured is normally produced.
2 The Board may limit or refuse insurance in any county or
3 area, or on any farm, on the basis of the insurance risk
4 involved. Insurance shall not be provided in any county
5 unless written applications therefor are filed covering at
6 least two hundred farms or one-third of the farms normally
7 producing the agricultural commodity, excluding farms re-
8 fused insurance on the basis of the risk involved; nor shall
9 insurance on any agricultural commodity be provided in
10 any county in which the Board determines that the income
11 from such commodity constitutes an unimportant part of the
12 total agricultural income of the county. The Corporation
13 shall report annually to the Congress the results of its opera-
14 tions as to each commodity insured."

15 SEC. 2. Subsection (b) of section 508 of the Federal
16 Crop Insurance Act, as amended, is amended by striking
17 out the proviso in the second sentence and the colon which
18 precedes it and substituting a period therefor.

19 SEC. 3. Subsection (c) of section 508 of the Federal
20 Crop Insurance Act, as amended, is amended to read as
21 follows:

22 "(c) To adjust and pay claims for losses in the agri-
23 cultural commodity or in cash, under rules prescribed by the

1 Board: *Provided*, That indemnities may be determined on
2 the same price basis as premiums are determined for the
3 crop with respect to which such indemnities are paid. The
4 Corporation shall provide for the posting annually in each
5 county at the county courthouse of a list of indemnities paid
6 for losses on farms in such county. In the event that any
7 claim for indemnity under the provisions of this title is
8 denied by the Corporation, any action on such claim here-
9 after brought against the Corporation shall be brought in
10 the United States district court sitting in the district in which
11 the insured farm is located, and jurisdiction is hereby con-
12 ferred upon such district courts to determine such contro-
13 versies without regard to the amount in controversy: *Pro-*
14 *vided further*, That no such claim shall be allowed under
15 this section unless the same shall have been brought within
16 one year after the date when notice of denial of the claim is
17 mailed to and received by the claimant.”

18 SEC. 4. Subsection (e) of section 508 of the Federal
19 Crop Insurance Act is hereby repealed.

20 SEC. 5. Subsection (a) of section 504 of the Federal
21 Crop Insurance Act is amended by striking out the second
22 sentence thereof.

23 SEC. 6. The Secretary of the Treasury is hereby author-

1 ized and directed to cancel, without consideration, outstand-
2 ing receipts for payments for or on account of the stock of
3 the Corporation in excess of \$27,000,000.

4 SEC. 7. Subsection (b) of section 504 of the Federal
5 Crop Insurance Act is amended to read as follows:

6 “(b) There is hereby authorized to be appropriated
7 such sums as are necessary for the purpose of subscribing to
8 the capital stock of the Corporation.”

9 SEC. 8. Subsection (c) of section 505 of the Federal
10 Crop Insurance Act, as amended, is amended by striking out
11 the second sentence and inserting in lieu thereof the follow-
12 ing: “The members of the Board who are not employed by
13 the Government shall be paid such compensation for their
14 services as directors as the Secretary of Agriculture shall
15 determine, but such compensation shall not exceed \$100 per
16 day each when actually employed and transportation ex-
17 penses plus not to exceed \$10 per diem for subsistence and
18 other expenses when on business of the Corporation away
19 from their homes or regular places of business.”

20 SEC. 9. Subsection (b) of section 506 of the Federal
21 Crop Insurance Act, as amended, is amended to read as
22 follows:

23 “(h) may conduct researches, surveys, and investi-
24 gations relating to crop insurance and shall assemble data

1 for the purpose of establishing sound actuarial bases for
2 insurance on agricultural commodities.”

3 SEC. 10. Section 518 of the Federal Crop Insurance Act,
4 as amended, is amended by striking therefrom the words
5 “determined by the Board pursuant to subsection (a) (2)
6 of section 508 of this title” and substituting therefor the
7 words “determined by the Board pursuant to subsection (a)
8 of section 508 of this title”.

81ST CONGRESS
1ST Session

H. R. 3825

A BILL

To amend the Federal Crop Insurance Act.

By Mr. ARBITT

MARCH 25, 1949

Referred to the Committee on Agriculture

CROP INSURANCE

HEARINGS

BEFORE

THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTY-FIRST CONGRESS

FIRST SESSION

MARCH 25, 29, 30, AND 31, 1949

Serial H

Printed for the use of the Committee on Agriculture



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CROP INSURANCE

FRIDAY, MARCH 25, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The Committee met at 10 a. m., Hon. Harold Cooley, presiding. The CHAIRMAN. The committee will please be in order. Mr. Geissler of the Federal Crop Insurance Corporation is here this morning.

We would like very much, Mr. Geissler, to hear you at this time, and to have you make such recommendations as you may desire with regard to the program which you have been administering. If you have any amendments to suggest with respect to the existing law, we would like for you to present them at this time and discuss them.

I would like to state that the Chair has invited Mr. Fred Smith, of the Corporation Audits Division, General Accounting Office, to sit in this hearing, since he is familiar with the audit of the Federal Crop Insurance Corporation and knows something about its financial affairs. I understand that Mr. Smith is here.

You may proceed, Mr. Geissler.

(The bill before the committee is as follows:)

[H. R. 3825, 81st Cong., 1st sess.]

A BILL To amend the Federal Crop Insurance Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: *Provided*, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, thirty-five counties in the case of tobacco, twenty counties in the case of any other agricultural commodity, and, in addition, fifty counties in the case of multiple crop insurance: *Provided further*, That, beginning with crops planted for harvest in 1950, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties in which such insurance was

provided the previous year and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for three years. Reinsurance for private insurance companies shall be limited to not to exceed twenty counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided further*, That if 75 per centum of the average yield represents generally more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under the subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured."

SEC. 2. Subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended by striking out the proviso in the second sentence and the colon which precedes it and substituting a period therefor.

SEC. 3. Subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided*, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, any action on such claim hereafter brought against the Corporation shall be brought in the United States district court sitting in the district in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided further*, That no such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant."

SEC. 4. Subsection (e) of section 508 of the Federal Crop Insurance Act is hereby repealed.

SEC. 5. Subsection (a) of section 504 of the Federal Crop Insurance Act is amended by striking out the second sentence thereof.

SEC. 6. The Secretary of the Treasury is hereby authorized and directed to cancel, without consideration, outstanding receipts for payments for or on account of the stock of the Corporation in excess of \$27,000,000.

SEC. 7. Subsection (b) of section 504 of the Federal Crop Insurance Act is amended to read as follows:

"(b) There is hereby authorized to be appropriated such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation."

SEC. 8. Subsection (c) of section 505 of the Federal Crop Insurance Act, as amended, is amended by striking out the second sentence and inserting in lieu thereof the following: "The members of the Board who are not employed by the Government shall be paid such compensation for their services as directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed \$100 per day each when actually employed and transportation expenses plus not to exceed \$10 per diem for subsistence and other expenses when on business of the Corporation away from their homes or regular places of business."

SEC. 9. Subsection (b) of section 506 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(h) may conduct researches, surveys, and investigations relating to crop insurance and shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities."

SEC. 10. Section 518 of the Federal Crop Insurance Act, as amended, is amended by striking therefrom the words "determined by the Board pursuant to subsection (a) (2) of section 508 of this title" and substituting therefor the words "determined by the Board pursuant to subsection (a) of section 508 of this title".

STATEMENT OF G. F. GEISSLER, MANAGER, FEDERAL CROP INSURANCE CORPORATION

Mr. GEISSLER. Mr. Chairman and members of the committee, we do have some legislative proposals for discussion with this committee, but I believe that before we go into those legislative proposals it might be well to review the history of crop insurance a little, and particularly the things that have taken place since we appeared before this committee approximately 2 years ago. If that is all right with the Chair and the committee, I would like to proceed.

The CHAIRMAN. Yes, you may proceed as you desire.

Mr. GEISSLER. I believe in about 30 minutes I can bring everybody up to date as to what has happened since the last time we were up here.

REVIEW OF CROP INSURANCE HISTORY

Most of the members of the committee are familiar, I think, with the entire history of crop insurance, but for the benefit of some of the new members I think we might briefly say that crop insurance was begun in 1939 with a wheat insurance program on a national basis. In 1942 a national cotton insurance program was added.

In the annual agricultural appropriation bill for 1943, language was added which ordered the liquidation of crop insurance at the end of the 1943 program. There was no crop insurance program in effect in 1944.

Late in 1944 legislation was again enacted reinstating the crop insurance program beginning with the 1945 crops. It provided, in addition to a national program on wheat and cotton, a national insurance program on flax and an experimental program on corn and tobacco. It also contained a provision that an experiment program could be undertaken on additional commodities each year in not to exceed 20 counties for each commodity.

On that basis the program operated in 1945 and in 1946. By the end of 1946, in addition to the premiums collected, the Corporation had lost approximately \$82,000,000 of its capital. Confronted with that situation, we appeared before this committee in the summer of 1947. I think many of you will remember we had a very thorough discussion of the situation that confronted us, and discussed possible remedies for the situation.

THE EXPERIMENTAL PROGRAM

The result of those hearings, and the action of this committee was Public Law 320, which was enacted August 1, 1947.

I might point out some of the major provisions which were a part of those amendments. For one thing, it limited the insurance to 200 wheat counties, 56 cotton counties, 50 counties each for corn and flax,

35 tobacco counties, and continued the provision for the addition of not more than 3 commodities annually in not to exceed 20 counties each. I think time has proven that the reduction was the wise thing to do because it has given us an opportunity to more intensely study the operations on the reduced basis of operation.

Another amendment limited the coverage to not to exceed the investment level. The original bill permitted insurance up to 75 percent of the average yield. In many cases that covered in excess of the investment in the crop and materially increased the moral hazard in the program. Our experience under this amendment has been to the effect that we have greatly reduced the moral hazard, as far as our insurance policies are concerned.

Mr. ANDRESEN. Mr. Chairman, may I ask a question?

Do you think the action that was taken to pass Public Law 320 was good action?

Mr. GEISLER. For the most part I would say it was very good, Mr. Andresen.

Mr. ANDRESEN. That was passed by the Eightieth Congress?

Mr. GEISLER. That is right.

Mr. ABBITT. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Abbitt.

Mr. ABBITT. Mr. Geissler, did you say almost all or all of the new act that was passed by the Eightieth Congress was good?

Mr. GEISLER. I would say that most of the amendments that were added at that time have proven to be good amendments. Some of them have not had a great deal of use. Only time will tell how effective they will be.

Mr. ABBITT. Was the amendment limiting the insurance coverage inserted in that Congress, or the one before that?

Mr. GEISLER. In that Congress, August 1, 1947.

Mr. ABBITT. The coverage was limited to—while in the field.

Mr. GEISLER. That was one of the amendments.

The CHAIRMAN. That was applicable to all crops?

Mr. GEISLER. Applicable to all crops, but it had more effect on tobacco than any other crop.

Mr. ABBITT. You do not feel now that that was proper, do you?

Mr. GEISLER. No; I do not think that was too good an amendment. We are going to get into that after a while.

Mr. HILL. Mr. Chairman.

The CHAIRMAN. Mr. Hill.

Mr. HILL. I would like for the record to show that I was chairman of the subcommittee that worked on these amendments. I thought that we should not make this a general program but attack it from the standpoint of an experimental program. Is that not correct?

Mr. GEISLER. That is right.

Mr. HILL. If we did that, we could pass this bill on the floor of the House without any objection as long as we kept it on an experimental basis. Am I correct?

Mr. GEISLER. That is correct.

Mr. HILL. Therefore, some of these amendments might not have been perfected as we would have liked to have had them, but we faced the proposition of passing it over on the floor of the House. I am sure our good chairman, who is from a tobacco section, will admit that the tobacco amendment written in there was proposed and supported

by the gentleman from North Carolina himself, and he is an expert on tobacco. We did the best we possibly could under the information that we had collected, and there should be no hint here that this committee did not try to do a good job. I feel that we did the best job that we could possibly do at that time with the information we had. I think there should be changes.

The CHAIRMAN. I would like to add to what the gentleman from Colorado has said, that if it were not for the amendments we probably would not have had any law at all, or any program.

Mr. HOEVEN. I think it should also be said that as a member of Mr. Hill's subcommittee last year we conferred many times with Mr. Geissler and members of his staff about the whole situation. It was my understanding that there was rather full agreement as to what we were doing at that particular time. Is that not true, Mr. Geissler?

Mr. GEISLER. That is right, Mr. Hoeven.

Mr. PACE. Mr. Chairman.

The CHAIRMAN. Mr. Pace.

Mr. PACE. Mr. Geissler, while you are interrupted, do you intend later to give us a statement of the reaction of the farmers to this limitation of protection for the investment only?

Mr. GEISLER. Yes. I thought after we got through with the review of our history since the last time we were here we would then discuss the legislation. If we can hold the questioning to a minimum at this time I think I can run through it pretty quickly, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. GEISLER. The third provision that was enacted at that time was to authorize the fixing of the price for the conversion of commodity premiums and indemnities; both were placed on the same price basis. That has simplified our program operation a great deal and has eliminated quite a sizable item of administrative costs—commodity purchase and storage expenses—and has eliminated the necessity for hedging operations.

Another amendment was provided that authorized experimentally reinsuring private insurance companies who might want to undertake crop insurance. We have contacted a number of private insurance companies, including mutuals and old line, and so far have been unsuccessful in interesting any of them in this kind of an arrangement. However, I think it is a good provision and we are going to continue to try to make some arrangement to that effect.

The general authority of the corporation was broadened from the standpoint of trying out various kinds of insurance programs to try to arrive at the best program, either nationally or for areas. That has certainly given us a great opportunity under the experimental operation to try to find programs that really fit a commodity and, more particularly, try to fit certain areas in the commodity.

Another amendment was to increase the minimum participation requirement in a county from 50 to 200 before insurance would be in effect. We feel that has been a good amendment because it has assured us that before a program would operate in a county we would have enough participation to indicate that there was reasonably good interest in the county. That is important in the operation of an insurance program in a county. It also eliminates selectivity to quite an extent. ✓

Mr. GRANGER. Will you yield there?

Did you confine yourself to a specific county in all cases?

Mr. GEISSLER. Yes. Insurance was limited to counties where the insured commodity was a rather major part of the agricultural income in that county. I think it was felt at that time that no good purpose was served to offer insurance on wheat if wheat was a very minor part of the income. The same is true on any other commodity. We have operated on that basis.

We have developed what we call a multiple crop insurance policy, started for the first time last year and expanded some this year. It is a policy particularly designed for diversified crop areas. It wraps up three or four or more crops in one policy. I will discuss that in more detail a little later on.

Another amendment to the act at that time increased the membership of the board of directors of the corporation from three to five members, and provided that two of the members shall be insurance men from outside the Department of Agriculture. I think that was a very wise amendment because it has given us the opportunity to have the insurance knowledge available to us from two men who have been in the insurance business for many years.

One of the men put on the board is Mr. James B. Cullison, who operated out of Chicago for many years a hail and rain insurance association for several of the major companies. He has dealt a great deal with the farmers in that type of insurance and he has given us very much help.

The other member is Mr. Clarence Swanebeck from Michigan, who operates a State-wide mutual farm fire-insurance program. His experience in dealing directly with farmers has been invaluable.

That pretty well covers the major amendments. There are some minor ones such as the in-the-field amendment on insurance.

INSURANCE WHILE-IN-THE-FIELD PROVISION

The CHAIRMAN. Since you mentioned that, Mr. Geissler, to what extent did that amendment affect the tobacco program?

Mr. GEISSLER. I think we could say that almost unanimously the tobacco producers have felt that they were deprived of the type of coverage they wanted in their program.

The CHAIRMAN. I know they have felt that way, but has it affected participation?

Mr. GEISSLER. No, I would not say that it has, Mr. Cooley. We have had fairly good participation in the tobacco program right along.

The CHAIRMAN. What effect has the amendment had on your losses in the tobacco program?

Mr. GEISSLER. I do not believe it has had very much effect, Mr. Cooley. I think I pointed out 2 years ago when we discussed this that under that particular coverage the farmers had very few losses during the period that it had been in the Act.

The CHAIRMAN. While we are on that point, do I understand that you recommend that those words should be stricken from the law and we should return to the old law coverage that we had before we put that language in?

Mr. GEISSLER. The legislative proposals that we have here do that, Mr. Chairman.

The CHAIRMAN. All right.

Mr. ABBITT. May I interpose a question right there?

The CHAIRMAN. Mr. Abbitt.

Mr. ABBITT. When I spoke with reference to the amendment just now, I had in mind this particular amendment only. I was not talking about the over-all amendments. It is my information, Mr. Geissler, that in all probability, to strike out the words "while in the field," and to give over-all coverage would not necessarily increase the premium at all to the farmers, especially tobacco farmers.

Mr. GEISSLER. Certainly not appreciably on the basis of our past experience.

Mr. ABBITT. And is it not true that in all probability—speaking as to tobacco farmers—this is about the only protection they could get? It is hard for them to get from an old-line company or a private company the type of protection they would have from this insurance if we struck out "while in the field."

Mr. GEISSLER. They can get from private companies fire insurance while it is in the barn, but there are a number of other hazards which tobacco is confronted with while in the barn, such as pole burn, for which there is absolutely no other coverage available from any source.

Mr. ABBITT. And it is your opinion that that could be done without increasing the premiums at all?

Mr. GEISSLER. I would say on the basis of our past experience, probably without increasing them, but if additional experience would indicate that our losses might be somewhat greater, my guess is that the increase would certainly be very minor and negligible.

Mr. ABBITT. And then it is your idea that the only thing necessary to do in the present act, so far as that particular matter is concerned, is to strike out "while in the field" or should we insert "from plant to market"?

Mr. GEISSLER. If you take out "while in the field," that will do.

The CHAIRMAN. Mr. O'Sullivan wishes to ask a question.

Mr. O'SULLIVAN. You say that your experience has been that there would be no added cost in working out this amendment that Mr. Abbitt talks about?

Mr. GEISSLER. The tobacco insurance program started in some counties in 1945 and contained this particular coverage at that time and contained it through 1945, 1946, and 1947 before this amendment precluded us from offering it. An analysis of our loss experience in that period indicated that we had not over a dozen losses under this particular type of coverage.

Mr. O'SULLIVAN. Does this insurance program cover all crops?

Mr. GEISSLER. No. At the present time we are insuring on an experimental basis wheat in 200 counties, corn in 50 counties, cotton in 56 counties, flax in 50 counties, tobacco in 35, and we have a multiple crop insurance program in which we wrap up several commodities in one policy in seven counties. We have an experimental program started on dry beans which will operate in 11 counties this year. I believe that pretty well covers it.

Mr. O'SULLIVAN. As a matter of fact, you never pay any claims at all, do you?

Mr. GEISSLER. Under our policies?

Mr. O'SULLIVAN. Yes.

Mr. GEISSLER. Yes; we do.

Mr. O'SULLIVAN. How can you get a claim allowed?

Mr. GEISSLER. We write insurance which covers the producer's crop against all natural hazards and if his production is less than the coverage of his policy, he has a claim and will be paid.

Mr. O'SULLIVAN. I have taken that insurance out. I paid \$200 last year. I have never yet reported any loss where your insurance agency paid anything on the claim. The rule of one-way pockets seemed to apply—the money came in in the form of premiums and nothing went out to the farmer in payment for losses.

Mr. GEISSLER. From 1939 through 1946 we have paid out \$82,000,000 more than we collected in premiums, Mr. O'Sullivan.

Mr. O'SULLIVAN. How bad a loss do you have to have before you can get anything?

Mr. GEISSLER. Your production has to be less than the insurance coverage that you have under your policy.

Mr. O'SULLIVAN. What is that?

Mr. GEISSLER. Generally, the insurance coverage on our present policies ranges from 45 to 60 percent of the normal yield. It generally represents the approximate investment in the production of the crop.

Mr. O'SULLIVAN. I may have had some bad experiences, but my losses have been down to just 3 or 4 bushels to the acre and I would file a claim and in due time would get a letter back that I did not qualify.

Mr. GEISSLER. I do not know about your specific policy, Mr. Congressman.

Mr. O'SULLIVAN. I have never been able to collect a dime from this insurance division yet. I might as well not have had insurance, and would have been better off to carry my own insurance. I should have put my premiums in the bank and thus carry my own insurance.

The CHAIRMAN. Mr. Granger.

Mr. MURRAY. Will Mr. O'Sullivan yield for a question, Mr. Chairman?

The CHAIRMAN. Mr. O'Sullivan has yielded to Mr. Granger, I understand.

Mr. O'SULLIVAN. My insurance was on wheat.

Mr. HILL. Was it in this Corporation? Did you pay the premium to this Corporation we are talking about this morning?

Mr. O'SULLIVAN. Yes; I paid a premium to this agency.

Mr. GEISSLER. We have two corn counties in Nebraska, and I do not remember how many wheat counties.

Mr. O'SULLIVAN. This is in Reno County, Kans.

Mr. GEISSLER. We have insurance in Reno County, Kans.

Mr. ANDRESEN. I think the subcommittee ought to go into that.

Mr. O'SULLIVAN. I am willing to drop it.

(At a later date the Department, through its Mr. Norton, furnished the following data on Mr. O'Sullivan's insurance claims:)

FEDERAL CROP INSURANCE CORPORATION—INSURANCE CASE OF EUGENE D. O'SULLIVAN

Commodity: Wheat.

Location: Reno County, Kans.

Type of contract: 3-year, 75 percent coverage.

Years covered: 1946, 1947, 1948.

Premiums paid: 1946, \$100.30 (no loss claims); 1947, \$17.73 (no loss claims); 1948, \$220 (3 loss claims, see below).

Premium rate: 1.2.

Contract activity in 1948:

	Farm No. 193	Farm No. 194	Farm No. 195
Interest.....	1/3	1/3	1/3
Coverage.....	7.87	8.85	8.85
Claims:			
Number submitted.....	1	1	1
Number approved.....		1	1
Indemnity.....bushels.....		11	123

¹ Loss certificates were issued on Oct. 4, 1948, and as yet have not been presented for payment.

The CHAIRMAN. Mr. Granger.

Mr. GRANGER. Referring to Mr. Abbitt's question, the reason you put that amendment in was on the theory that you lessened the risk.

Mr. GEISSLER. I believe the feeling was that this particular item in the crop-insurance program was in some respects competitive with private insurance that was offered.

Mr. GRANGER. So in order to let private enterprise take the part that might pay, you took the part of it that was the biggest risk?

Mr. GEISSLER. Certainly the risks which the Federal crop insurance policy covered were much greater than the risks on fire while the tobacco is curing in the barn.

Mr. GRANGER. So now you propose to strike out that provision and if you had crop insurance it covers the whole operation; is that right?

Mr. GEISSLER. Until the commodity is ready for the market.

The CHAIRMAN. Mr. Andresen.

Mr. HOEVEN. Just a minute. You do not mean that would apply to corn? Do you want to limit that to tobacco?

Mr. GEISSLER. No; it has very little application in any of the commodities except tobacco.

Mr. HOEVEN. That is what I mean.

Mr. GEISSLER. There is no need of limiting it to any particular commodity. You could have some application of it in the case of wheat. If wheat was cut with a binder and then stacked before it was threshed, and if it was not stacked in the field we could not cover it while it was in that stack. Yet it is not in marketable condition.

Mr. HOEVEN. You do not propose that the Government go into this insurance business and insure corn in the crib?

Mr. GEISSLER. Oh, no.

Mr. HOEVEN. That is the think I want to clear up. I understand Mr. Abbitt's remarks related solely to tobacco.

Mr. ABBITT. As far as I was concerned, that is right.

Mr. MURRAY. Mr. Chairman.

The CHAIRMAN. Mr. Murray. Mr. Andresen wants to ask a question when you finish.

Mr. MURRAY. I will yield to Mr. Andresen.

Mr. ANDRESEN. On this point.

If I understand it, the original purpose of this bill was to insure the growing of crops over which the man did not have any control. Now, when it comes to insuring tobacco and loss by a fire when it is being cured, man has control over handling that fire, does he not?

Mr. GEISSLER. To some extent.

Mr. ANDRESEN. Does he not start the fire, tend it, and watch it?

Mr. GEISSLER. That is right.

Mr. ANDRESEN. Is there any danger of tobacco burning unless he starts a fire under it to cure it?

Mr. GEISSLER. I think the people from the tobacco area could answer that better than I. I suppose there is danger from fire being started by lightning, and things like that also.

Mr. ANDRESEN. That can happen, too, but he can get coverage now, can he not, for loss by fire where tobacco is in the shed being cured?

Mr. GEISSLER. The thing I wanted to point out a while ago was that there are other hazards that tobacco is subjected to while it is curing in the barn other than just fire or the burning of the building.

Mr. ANDRESEN. Weevils may get into the wheat, or it may be high moisture wheat or high moisture corn and it can spoil. Would your bill go far enough to cover spoilage of that kind?

Mr. GEISSLER. No; the changing of this amendment is simply to cover the crop until it is harvested to the extent where it can be marketed.

Mr. ANDRESEN. Irrespective of the fact that a man may have control over it?

Mr. GEISSLER. Under any of our policies, no matter where the loss occurred, even if it is in the field, if the loss is the result of negligence on the part of the producer he is not covered, no matter whether it is weeds or tillage or any of the other things.

The CHAIRMAN. Nor whether it is fire?

Mr. GEISSLER. Nor whether it is fire. He is not covered if it is due to the negligence of the individual.

Mr. ANDRESEN. If a crop, whether it be tobacco or wheat, is destroyed by fire before it is harvested, it would be covered, would it not?

Mr. GEISSLER. That is right.

Mr. ANDRESEN. It is just a question of how far you want to go. If your suggestion is carried out, do you contemplate any increase in rates?

Mr. GEISSLER. On the basis of our experience during the time this provision was in the program, the losses from that particular item were so negligible I do not know how much we would have to reflect in rates. Very little, if any.

Mr. ANDRESEN. How long was it in operation?

Mr. GEISSLER. Three years.

Mr. ANDRESEN. Do you think a 1-year period is sufficient to establish an actuarial standard for the handling of it?

Mr. GEISSLER. That was 3 years: 1945, 1946, and 1947.

Mr. SUTTON. Will the gentleman yield?

Mr. ANDRESEN. Yes.

Mr. SUTTON. Mr. Andresen, there is a little difference between wheat and tobacco. When you harvest your wheat it is ready for sale right then, but when you harvest your tobacco it is not ready for sale. You dark fire it and flue cure it. You have to smoke that before anyone would even attempt to buy it.

Mr. ANDRESEN. But after you harvest your wheat you may put it in your granary and that granary may be destroyed by lightning or through some carelessness on the part of the owner or some of his employees. Would that be covered?

Mr. GEISSLER. Oh, no.

Mr. SUTTON. That is negligence.

Mr. ANDRESEN. When you take your tobacco you harvest it in the field and you hang it up in the sheds, which is comparable to a granary, and then you proceed to cure it. You cure it by a man-made fire.

The CHAIRMAN. But it cannot be marketed until it has been cured.

Mr. GEISSLER. Mr. Andresen, I think I can draw a better comparison. I think if you take into consideration that when you cut your wheat with a binder and it is harvested, but it is not ready for threshing, and while that wheat is shocked out there and curing and getting ready for threshing so it can be marketed it is certainly covered under our policy. I think that is comparable to what we are proposing in tobacco.

Mr. ANDRESEN. Do you mean that now under present coverage that after a man stacks his grain on the farm and if it is destroyed by fire that he is covered?

Mr. GEISSLER. Under the law as it stands now if he stacks it in the field he is covered, but if he stacks it off the field he is not covered.

Mr. ANDRESEN. He certainly does not stack it off the field. He stacks it on his farm.

The CHAIRMAN. The law does not say that now. If the crop is moved out of the field and stacked, the farmer is not covered. It has to be in the field.

Mr. ANDRESEN. Do you have any notice to the wheat farmers and corn farmers who are covered that when they shock their corn they must have it in the field to have protection?

Mr. GEISSLER. Our policy specifically says under the present law that they are covered against all of these hazards as long as the crop is in the field, and that means the growing crop or while it is out there in the curing process. But as soon as it is removed from the field, either to be stacked outside the field or combined and the grain taken away, of course they are not covered.

Mr. ANDRESEN. If a tobacco farmer would have his shed out in the field where he harvested tobacco he would be covered, would he not?

Mr. GEISSLER. Technically, I think you could make that interpretation but under our contract insurance ends when the tobacco is "housed".

Mr. GRANGER. Would the gentleman yield?

Let us make a better comparison. We will take corn. When corn is ready for market, when it is on the cob in the crib, it provides the basis for a better comparison.

Mr. GEISSLER. We consider that the insurance on corn ends as soon as the corn is picked.

The CHAIRMAN. Not when it is shocked, but when it is taken from the stalk?

Mr. GEISSLER. That is right.

Mr. HOEVEN. Mr. Chairman.

The CHAIRMAN. Mr. Hoeven.

Mr. HOEVEN. Something was said about insuring corn until the time that it could be marketed. Even though the corn has been picked it may not be ready for market. A lot of things may enter in such a market condition, the moisture content, and for a lot of other reasons a farmer may want to keep his corn and let it dry out in the open crib.

In other words, when is corn ready for market? It certainly is not ready for market the minute it is picked, in many instances.

The CHAIRMAN. Does the policy say "ready for market"?

Mr. GEISSLER. No.

Mr. HOEVEN. No; but there has been some discussion about it.

The CHAIRMAN. I know there was. I wonder what provisions there are in the policy which fix the limitations of the liability.

Mr. GEISSLER. We have never interpreted that to mean that we will insure corn in the crib.

The CHAIRMAN. Where it is limited to while in the field, even that limitation might be circumvented as you indicated a minute ago if the tobacco farmer put his curing barns out in the field, or the farmer's corn was in shocks in the field. It would also be covered. It would not be covered after it was taken off the stalk and put in the crib. What I was asking about, what are the specific provisions of the policy with reference to that limitation?

Mr. GEISSLER. The specific provisions of the policy are to the effect that as soon as the crop is harvested it becomes uninsured. "Harvested" is interpreted to mean, in the case of corn, the time when the corn is picked from the stalk.

The CHAIRMAN. In other words, the corn is harvested when it is taken from the stalk?

Mr. GEISSLER. That is right.

Mr. HILL. And the farmer understands that. He knows that his corn is not insured when it is shucked and put in the crib.

Mr. POAGE. Mr. Geissler, do you mean as quick as it is harvested, not as quick as it is ready for market? Cotton is harvested when it is picked, but certainly it is not ready for market when you pick it. You have got to gin it before you have any market for cotton. But you definitely harvest your cotton before your cotton is ready for market.

There is a definite process to be completed between the time that you have picked that cotton and the time it is ready for market. You do not carry any insurance on cotton from the time that it is picked and dumped on the wagon or in the house in the field. Many of the cotton farmers put their cotton in little houses in the field. You do not give the insurance even while it is in the field there, do you?

Mr. GEISSLER. No.

Mr. POAGE. You do not give it any insurance after it is in the wagon or truck after it has been picked.

The CHAIRMAN. How about the gin?

Mr. POAGE. He does not give it any protection in the gin. You give no protection to that cotton after it is pulled out of the boll and put into the sack?

Mr. GEISSLER. I think generally it is best to say the insurance ends when the commodity is harvested to the point where you can actually determine production. But in the case of tobacco you cannot determine production when that tobacco is severed from the stalk in the field and put in the barn. You cannot determine production until it has gone through the curing process.

Mr. HOEVEN. Is there any limitation as to the time within which the crop must be harvested? I am thinking particularly about the corn country where once in a while the corn cannot be picked in the fall of the year due to serious snowstorms, thus completely pro-

hibiting the picking of the corn until the following spring. That does not happen very often, but it has happened. Would the coverage apply until the corn was finally picked?

Mr. GEISSLER. Our rule is that the harvesting must conform with what is considered good farming practices in that area.

Mr. HOEVEN. Up until the time that the corn is actually harvested it would be covered?

Mr. GEISSLER. The way we judge that, Mr. Hoeven, is that if a very high number of farmers in the community harvested their corn and one or two individuals did not, we feel that they did not follow good farming practices.

The CHAIRMAN. Mr. Murray.

Mr. MURRAY. Do I understand you to imply that the old-line insurance companies can insure this tobacco while it is in the shed?

Mr. GEISSLER. They insure it against loss from fire. They do offer policies against loss from fire only.

Mr. MURRAY. A mutual and a cooperative insurance company can also cover it when it is in the shed?

Mr. GEISSLER. That is right. There are mutual companies and old-line companies that offer fire insurance on tobacco while it is in the barn.

Mr. MURRAY. You will have to be tolerant with me because I am in a bad state of mind. I cannot get the administration to follow the laws that have already been passed.

What I cannot understand is why we should pick out this special privilege legislation for tobacco. It is already getting special privilege legislation that is not afforded to the rest of the crops in the United States.

The CHAIRMAN. We object to that.

Mr. MURRAY. It is the truth.

Mr. HILL. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Murray has the floor.

Mr. MURRAY. I want an answer to that question.

Mr. GEISSLER. Mr. Chairman, I think the Corporation is in a rather embarrassing situation on this particular question. We are trying to determine what is the same kind of a policy for the tobacco men that we have for our other producers. Two years ago when this amendment came up we did not take a very strong position in either direction, if you will remember. The only reason that we have proposed this time to strike this amendment from the act and let the policy go back to coverage in the barn as it was from 1945 to 1947 is because I am satisfied that over 95 percent of the tobacco producers very much want that coverage under their Federal crop insurance policy. We are merely trying to represent those farmers.

Mr. MURRAY. That might be, that 100 percent of them would want it, but the point is why are they entitled to it any more than any other producers in the United States are entitled to it? ✓

Mr. GEISSLER. That is what I have been trying to point out here. They have convinced me that tobacco is not in the shape that corn is when it is picked from the stalk or when it is removed from the field, or the same condition as wheat when it is threshed. Tobacco does not get to that stage of production until after it is cured and removed from the barn. I believe the chairman will agree with me on that. ✓

The CHAIRMAN. That is right.

Mr. MURRAY. Did you ever carry a policy with a mutual insurance company?

Mr. GEISLER. I have one; yes.

Mr. MURRAY. They do not cost much, do they?

Mr. GEISLER. Not a great deal.

Mr. MURRAY. So that we are making a lot of conversation about a very few dollars?

Mr. GEISLER. That is right.

Mr. ANDRESEN. Will the gentleman yield?

Mr. POAGE. Will the gentleman yield?

Mr. MURRAY. I will yield to Mr. Andresen.

Mr. ANDRESEN. I have just a question on that point. Personally, I had a very definite idea of what the law intended. I wanted to ask you whether you have formulated an idea as to what the intent of Congress was. My intent was that it only covered growing crops and should not go any further than that.

If you have listened to the demands of tobacco growers as against the intent of Congress, of not covering the crop after it was harvested then you have gone beyond the intent of Congress in carrying out that provision.

Mr. GEISLER. Mr. Andresen, we have not gone beyond the intent of Congress, and we are not insuring it within the barn at all. We are staying strictly within the law on that. We are simply saying here that if Congress will agree that we should go further than that, we make this proposal. We are not going beyond the intent of the law.

The CHAIRMAN. Mr. Geissler, when you said that 95 percent of the farmers prefer to have the coverage, that estimate is based upon information which you have received since the limitations were put in the law?

Mr. GEISLER. That is right.

The CHAIRMAN. And you say that by striking out the limitation you are not going to increase substantially the hazard on the Corporation because you have 3 years' history to prove that the losses from that particular factor have been negligible. You think it will encourage greater participation and bring about greater satisfaction in the tobacco section?

Mr. GEISLER. That is right.

Mr. ANDRESEN. Mr. Chairman, I was not questioning that. What I was questioning was Mr. Geissler's statement that after he covered it his coverage extended after it was harvested.

Mr. GEISLER. As far as tobacco is concerned?

Mr. ANDRESEN. Yes; as far as tobacco is concerned. After it is harvested there is no coverage.

Mr. GEISLER. That is correct. The law specifically says that.

Mr. ANDRESEN. We were assuming—at least I was—that we were covering crop losses during the growing and before the harvesting season, caused by drouth, by insects, and by some things that the grower had no control over. When he had harvested his crop, there it stopped.

Mr. GEISLER. I might add there, Mr. Andresen, that under that provision of the act the Corporation since 1939 has operated on the basis—and I hope their interpretation has been right—that we not only insured a wheat crop, for example, while it was a growing crop,

but also insured it after it was cut and standing in the field in shock form, because the hazard there was just as definitely a natural hazard as while it was growing.

Mr. ANDRESEN. I do not think any insurance company covers it after it is harvested.

Mr. GEISSLER. There is no other insurance company that covers it for all risks.

Mr. ANDRESEN. We have hail insurance.

Mr. GEISSLER. But I mean for all risks.

The CHAIRMAN. Do I understand that if wheat is harvested and shocked in the field and a fire sweeps through and burns it up, the farmer is covered?

Mr. GEISSLER. That is right.

Mr. POAGE. Mr. Chairman.

The CHAIRMAN. Mr. Poage.

Mr. POAGE. Mr. Chairman, I wanted to ask Mr. Geissler a question:

If you do this coverage on tobacco you will adjust your rates so as to take care of any increased risk, will you not?

Mr. GEISSLER. Oh, yes.

Mr. POAGE. What difference does it make to all the rest of us on this committee? There is not a plant of tobacco grown in my district unless somebody grows it as a curiosity. What difference does it make to the rest of us on the committee and why should we take up the rest of the morning discussing a tobacco program here that will not cost us a penny? What difference does it make to us as to what the tobacco people pay for any insurance that carries it through the barn, or whether they pay for insurance that carries it through the field, as long as they pay their own premium?

Mr. ANDRESEN. Will the gentleman yield?

Mr. POAGE. I am asking Mr. Geissler.

Mr. ANDRESEN. You said the rest of us.

Mr. POAGE. I am asking Mr. Geissler.

Mr. ANDRESEN. If they have that type of coverage for tobacco, with an additional premium at a low rate, why should not the other commodities have it?

Mr. POAGE. I see no reason why they should not have it, but I am saying what difference does it make. We have insurance on cotton that carries it only until the time it is picked and in the bag. If we wanted to pay additional premiums and carry it on through the gin, possibly it might be a good thing. I am not asking that we add that additional cost, but as long as the crop pays its own premiums I do not see what difference it makes to me as to whether the tobacco is insured at one point, and to stop at one point, or whether it is carried a little further and the farmer pays a little more.

I do not care whether you stop corn when the husks are pulled off, or whether you stop the corn when it is shelled. I want to get clear in this record that what we propose to do is to make the crop carry its cost, no matter what the extent of the coverage.

Mr. GEISSLER. That is right. If I could be permitted to go through the rest of this report, Mr. Chairman, it would explain some of the things.

The CHAIRMAN. Mr. Simpson and Mr. Hill wish to ask questions, and the Chair hopes no one else will ask questions so that you may be able to continue with your summary.

Mr. SIMPSON. Mr. Geissler, unless it is covered in your statement, what is your history of operation since this experimental program has been going on? Have you lost or made money or broken even?

Mr. GEISSLER. I propose to cover that. That is what I have been trying to get at.

Mr. HILL. I will withhold my question because Mr. Poage almost asked the question I wanted to ask, which is this: Why should the wheat farmer get in a lather if the tobacco farmers pay their own premiums according to the experimental actuarial tables that have developed? Is that not correct?

The CHAIRMAN. It will take a long time for that question to be answered, I am sure.

Mr. HILL. We will just pass it.

The CHAIRMAN. Mr. Pace.

THE PURPOSE OF CROP INSURANCE

Mr. PACE. Mr. Geissler, it looks to me like everybody would want to refer back to what is the purpose of crop insurance. The purpose of crop insurance, as I have understood it, is to try to protect the investment of the producer in his crop. Certainly the producer has lost his investment when it is burned up at any time before he has an opportunity to put it on the market.

It seems to me no other standard can be set up because if we protect him against the weather and insects, and everything else, and he loses it, somewhere between the maturity of the crop and offering it to the market, he sustains the same loss. It seems to me with the experience that you have had that it would be possible for you to work out under congressional authority a plan to do only one thing, and that is to protect the investment of the producer in that crop. I think if you stop anywhere near that point then you have not done a complete job.

Mr. GEISSLER. It is with that understanding, Mr. Pace, that we have been operating our program.

The CHAIRMAN. Mr. Geissler, will you complete your statement? I hope the members will not interrupt you again until you have finished, and then we will ask some questions.

Mr. GEISSLER. I had just completed a review of the amendments added in 1947.

RESULTS OF THE 1947 CROP-YEAR PROGRAM

The 1947 program was in effect at the time those amendments were enacted. Our experience on the 1947 program, however, was favorable, and we came out with a premium reserve, Mr. Simpson, of around \$9,000,000 for that year's operations.

Mr. ANDRESEN. Will you break that down into commodities and give us your experience on corn?

Mr. GEISSLER. We can give that to you by commodities, if you want it.

Mr. SIMPSON. I would like to have it.

Mr. ANDRESEN. I think we ought to have it for the record.

The CHAIRMAN. Are you in a position to do it now?

Mr. GEISSLER. We can submit it for the record.

(The information requested follows:)

Summary of premiums and indemnities for crop year 1947, as of Feb. 28, 1949

Commodity	Premiums	Indemnities	Surplus	Loss ratio
Wheat.....	¹ \$25,353,591.50	\$16,113,292.81	\$9,240,298.69	0.64
Cotton.....	13,104,394.99	14,781,299.83	-1,676,904.84	1.13
Flax.....	¹ 4,210,554.76	2,696,647.52	1,513,907.24	.64
Corn.....	422,082.00	929,436.96	-507,354.96	2.20
Tobacco.....	701,715.06	701,711.48	3.58	1.00
Total.....	43,792,338.31	35,222,388.60	8,569,949.71	.80

¹ Adjusted to reflect profit on commodity transactions.

Mr. SIMPSON. I am sorry, Mr. Geissler, I did not get what you said about \$9,000,000. Did you make or lose that amount?

The CHAIRMAN. How long would it take you, Mr. Geissler? How long would it take you to make the information available?

Mr. GEISSLER. We have the information here on charts now, if the members want it.

The CHAIRMAN. That is what we want, but suppose we let you finish your statement and then you may go back and give us that break-down.

Mr. GEISSLER. We will do that.

Mr. SIMPSON. Mr. Chairman, will you let Mr. Geissler start over where he mentioned \$9,000,000?

Mr. GEISSLER. I said the result of our program in 1947, which was still on the national basis, because the amendments of 1947 were not enacted until that program was in the field, was that we came out with a profit of about \$9,000,000 for that year. That, incidentally, was the first year since the beginning of crop insurance that the Corporation had come out with a net profit.

Mr. SIMPSON. In other words, you feel you made \$9,000,000 on an experimental basis?

Mr. GEISSLER. That was under the old operation. The new legislation did not take effect until the 1948 crops.

Mr. SIMPSON. Then you cannot tell yet whether you have made any money on this experimental basis?

Mr. GEISSLER. I am just coming to the 1948 experience.

RESULTS OF THE 1948 CROP-YEAR PROGRAM

The 1948 experience was the first actual year under the experimental program in which we operated in the number of counties which I indicated a while ago. Our 1948 experience came out with a profit of \$5,200,000. On the reduced basis, of course, that was a very favorable ratio. If you compare it with 1947, there was a premium income of around \$43,000,000 and a profit of about \$9,000,000, and then under the reduced program of 1948 the premium income was about \$12,700,000 and the profit under that was \$5,200,000, or a loss ratio of 59 percent for 1948.

Mr. ANDRESEN. That was one of the best crops we have had in the history of the country.

Mr. GEISSLER. I wanted to add that, Mr. Andresen. I think the experience of 1948 is exactly as it should be with the kind of crop we had this past year.

The CHAIRMAN. You mean you do not think the record indicates that your premiums are too high?

Mr. GEISSLER. No; I do not.

Mr. WORLEY. You say you made a net profit of \$5,200,000?

Mr. GEISSLER. In 1948. I think it is well for all of us to realize that under crop insurance we are going to have years when we will build up premium reserves. Likewise, there will be years when we are going to pay out more than we collect. Our objective solely, as we have seen it in the Crop Insurance Corporation, is to bring about a proper correlation between the kind of crops we have nationally and the kind of experience we have under our insurance program. In other words, when we have a crop like we had nationally in 1948 we should have good experience.

The CHAIRMAN. Can you give us an analysis of your 1948 operations also?

Mr. GEISSLER. Yes, sir. I might add here that in 1948 every commodity program shows a surplus.

(The information requested follows:)

Summary of premiums and indemnities for crop year 1948, as of Feb. 28, 1949

Commodity	Premiums	Indemnities ¹	Surplus	Loss ratio
Wheat.....	\$8, 599, 035	\$5, 044, 100	\$3, 554, 935	0. 59
Cotton.....	1, 407, 963	891, 100	516, 863	. 63
Flax.....	1, 548, 366	852, 700	695, 666	. 55
Corn.....	435, 849	130, 700	305, 149	. 30
Tobacco.....	656, 163	548, 400	107, 763	. 84
Beans.....	32, 489	9, 275	23, 214	. 29
Multiple crops.....	23, 770	1, 185	22, 585	. 05
Total.....	12, 703, 635	7, 477, 460	5, 226, 175	. 59

¹ Includes unapproved loss claims estimated at \$988,000.

Mr. WORLEY. For the record, is it not a fact that only one crop lost money under the general program prior to 1947, namely, cotton?

Mr. GEISSLER. Cotton lost most of it, but we did have some deficits in the others, too, Mr. Worley.

For 1949, our program is, of course, substantially a continuation of the 1948 program, as we are operating under the limitations set up by Public Law 320. We did have some expansion in corn to bring it up to the full 50 counties, and we did increase our number of counties in the bean and multiple-crop programs.

Mr. ANDRESEN. Have you taken out any additional commodities for 1949?

Mr. GEISSLER. No, except that some additional commodities are included in the multiple-crops program, and I will explain that a little later, Mr. Andresen.

PROGRAM IMPROVEMENTS

I would like to point out for the information of this committee, Mr. Chairman, some of the policies that we have adopted which we feel are quite important in the successful operation of a crop-insurance program. One thing is that we have tried to develop our program more on the basis of the needs for the various areas for a certain kind of program. By that I mean that in the high plains area, that

Mr. Hill is very familiar with, we have established a low-coverage type of program which reimburses the wheat producer in that area for his out-of-pocket costs in the production of a wheat crop. That seems to be the kind of insurance they want out there.

Under the former high-coverage policy, we had very little participation out there. Now, under this low coverage, which of course carries with it a low premium, we are having very substantial support and participation in that area.

Then for the more stable area, where the risk is not so great, they want a somewhat higher coverage and they want to come closer to covering the entire investment they have in the crop. For the Corn Belt area, and the more low-risk areas of the Pacific Northwest, we are going up to about 60 percent of the normal yield with our policies, and that seems to suit those areas.

Then for the diversified areas where no one crop represents the major income on the farm, we have developed what we call a multiple-crop-insurance program and under that we insure four or five crops on one farm.

I would like to explain the multiple-crops program a little more. We started that program last year in two counties. One of them was Goodhue County, Minn., and the other was Gratiot County, Mich. In those two counties we picked the four major crops that were being produced in the county.

In Goodhue County they happened to be flax, wheat, corn and oats, I believe.

Mr. MURRAY. Mr. Chairman, will the gentleman yield at that point for a question?

The CHAIRMAN. Yes, I think so.

Mr. MURRAY. Have you ever insured any crop except the soil-depleting crops?

Mr. GEISSLER. No.

Under this multiple-crops policy we then established a farm coverage which is based upon so much coverage per acre for each of the crops included, and from that we arrived at a farm coverage of about \$2,000 to \$3,000, we will say. If the combined production of the four crops covered equals that coverage, then of course we pay no loss. If the combined production of those four crops is less than that coverage, of course we do pay a loss.

I might say that from the standpoint of the Corporation, it is a very low-risk policy and, of course, a low premium goes with it. But it does assure this farmer in the diversified area that under this kind of policy he will recover the expenses that are incurred in growing that crop. He is guaranteed those expenses.

I might also say that the program seems to be very popular. This year we have extended it to about 7 counties, and in South Dakota where we have only 1 county they have asked for at least 10 more next year. In Minnesota where we have 3 counties this year, they have asked for 25 next year. We moved into a new area with it this year with Perquimans County, N. C., and they seem to be very interested in it down in that area.

Another thing that we have adopted as a policy with all of our programs that have had more than 2 or 3 years of experience, is a continuous contract. We sell a contract that has no termination date.

It is a continuous contract. However, it does have a provision that either the Corporation or the farmer can cancel that contract providing they cancel it before a certain date, and that date is midway between the two crop years. We feel that by doing this we can save quite a bit of administrative money in selling policies annually. We can eliminate some selectivity by having continuity of business, and all in all we feel that it will build up a sounder program.

Mr. ANDRESEN. That is all contingent upon paying a premium, though, is it not?

Mr. GEISSLER. Yes, sir. If he does not have his premium paid by the time cancellation date comes, we cancel it.

Mr. ANDRESEN. So that is no different from any other contract?

Mr. GEISSLER. That is right. Prior to this time, you remember, we used to sell an annual contract that definitely terminated every year, and then had to go back and resell.

The CHAIRMAN. That saves you the necessity of having to solicit the man and sell him all over again?

Mr. GEISSLER. That is right. Under continuous contracts we, of course, have some cancellations, but if we have 50-percent participation and 6- or 7-percent cancellations, that means that we start out the year with 43 percent of them insured and concentrate our sales efforts on those who are not insured.

Mr. ANDRESEN. Do you make any reduction in the premium because of the continuous contracts? If you take a 5-year contract with an insurance company you get a reduction in the premium, as against a 1- or a 3-year contract. Your rate runs the same through the contracts as if they were insured for 1 year?

Mr. GEISSLER. That is right.

And the other thing that we have given a great deal of attention to is our actuarial policy and procedure for setting up the actuarial basis for insurance in the county. We are giving much more intensive study and analysis to the insurance risks within a county by areas, and are trying to sell at rates which more nearly reflect those variations between areas. We have also gone a long way in trying to screen out land that probably should not be farmed with that particular crop, and we declare that kind of land, when we find it, as noninsurable. Such land is probably river bottom land subject to flood almost continually or probably high land that cannot produce that crop, or it is not good farming practice to produce that kind of crop on that land.

In addition, we have also adopted a policy of screening out what we call high-risk producers. Two kinds of people would fall in this category. Some of them would be farmers who are simply just not good farmers, and the rest of the farmers in the county do not want to pay the premium rate for carrying that risk. Then we do have, unfortunately, a few individuals who are moral hazards who will not pay their premiums, and, of course, we screen them out.

I might say that on our operation in some 400 counties last year under this policy in our actuarial work, we have eliminated about 5 percent of the land in those 400 counties as noninsurable under the crop insurance policy. We have also classified about 6,000 producers as ineligible for insurance because they were considered as being exceptionally high risks that the rest of the producers did not want to pay the premiums for.

PROGRAM ADMINISTRATION

Probably one of our biggest problems that we thought we had with us 2 years ago when we appeared before this committee, and one that will always be with us, is the matter of getting the kind of administration, particularly at the local level, that will make for a sound program. Prior to the time we were up here 2 years ago, and since then, we have given a great deal of attention to correcting administrative weaknesses where we might find them, and we have certainly come to the realization that a great many of our losses in the past were not so much because of program weaknesses as they were sometimes weaknesses in the way the program was administered.

We have also come to the conclusion that it is impossible to set up an administrative organization from the Washington level that can police and supervise the program, such as the Federal Crop Insurance program, on every farm in all the areas in which we might insure, and that it is necessary for us to set the program up in such a way that it becomes of interest to the local people themselves to operate a farm program.

In order to implement that sort of interest on the part of the local people, not only the administrative people but the insured farmers, we have injected what we call the mutual idea of insurance in each county. To put some meaning into that, we have adopted a policy that the premium rates for each county will be adjusted on the basis of the loss experience of that county without relationship to what happens any place else. In other words, we are pointing out to them that they are going to have to pay their own bill and, if over a long period of years they run a good program, their bill is going to be at a low level. If they start paying off losses that they should not, or insuring producers that they should not, or otherwise poorly administering the program, their bill will be higher.

Mr. ANDRESEN. In other words, you are trying to run it on a basis so that the insurance program will carry itself and succeed, rather than give coverage in areas where they should not have cheap coverage?

Mr. GEISSLER. That is right.

Further than that, we have to get that same idea instilled into the farmers and the administrative people. When they see that their own performance out there is going to determine the rates they are going to have to pay in the future, they commence to take a real interest in seeing that a good sound program is being operated.

Mr. ANDRESEN. Who are the local people who administer this program?

Mr. GEISSLER. For the most part, we have cooperative arrangements with the local county PMA committees. In some few counties we operate our own organizations.

Mr. ANDRESEN. You have your own agents?

Mr. GEISSLER. When I say we operate cooperatively with the local PMA committees, I mean in connection with selling and servicing of the contracts. The Corporation maintains its own organization for loss adjustments directly out of our State office.

Mr. HOEVEN. Is that arrangement working out to your satisfaction?

Mr. GEISSLER. I would say generally, yes. Under the arrangement that we are operating under now, I think you will remember that language was put into the act in 1947 which says that any local organization which administers the crop insurance program shall be responsible directly to the Corporation. Under that arrangement we do not now work out a lump-sum transfer of funds at the Washington level, but enter into agreements between the Corporation and the State office and the Corporation and the county offices of the PMA organization where we feel that they will do a satisfactory job, and where they are willing to take on the job.

Mr. HILL. As I recall, when we were working this out it caused us considerable uneasiness, how to give you the authority to make the proper connections at the level of the producer.

Mr. GEISSLER. I remember that.

Mr. HILL. We thought when we wrote this bill out that we were keeping in mind that you could have the power at the top to make your connections at the farm level as you felt would work out to the best interest of the insurance program.

Mr. GEISSLER. I believe the language in the act did give us that opportunity and it is certainly working out much better than it did previous to that time.

Mr. POAGE. Mr. Chairman, I do not understand about that State office.

Do you maintain an office in every State?

Mr. GEISSLER. We maintain an office in most States. In some of the States where we have just a few counties we have combined several States into one regional office, which corresponds to a State office.

Mr. POAGE. I thought you only had one branch office and that was in Chicago.

Mr. GEISSLER. No, the branch office is an entirely different set-up. Mr. Poage. The branch office performs our auditing and accounting functions, pays claims and computes and receives premiums. But our State offices are the administrative organizations which put across the sales campaign in cooperation with the counties where we have agreements. They are the ones who see that premiums are collected when they should be. They are the ones who run the loss adjustment crews that actually make adjustments in the field.

Mr. POAGE. Where is your office in Texas?

Mr. GEISSLER. College Station.

Mr. HOEVEN. How many employees do you have at the present time in the Crop Insurance Corporation?

Mr. GEISSLER. Just slightly in excess of 400 permanent employees. That means the Washington office, the Chicago branch office, and the various State offices.

Mr. HOEVEN. Can you break it down as to just how they are distributed?

Mr. FRETTS. Permanent employees, 423. All other employees, 474, at the present time.

Mr. HOEVEN. You are not including the members of the PMA who do the local work?

Mr. FRETTS. No; they are not included.

Mr. HOEVEN. Do you give the PMA workers a per diem, or how do you pay them?

Mr. GEISSLER. Our agreement with the PMA county offices is on a performance basis. We pay them so much for performing certain functions. They get so much for selling a contract and so much for certain servicing activities. Our expenditures have a direct relationship to the work load that they are performing in the county.

Mr. HILL. I do not want to get off on a tangent, but what do you do when these boys all come in and renew their contracts? Does the PMA get a commission on those who renew their contracts each year?

Mr. GEISSLER. If they have canceled, and it is necessary to sell them again; yes. An agent, through the county association, is paid for selling people that insure.

Mr. HILL. But if they renew it voluntarily the agent would not come in for any pay?

Mr. GEISSLER. We pay the county associations so much for all new policies obtained, Mr. Hill.

Mr. HILL. And you let them divide that?

Mr. GEISSLER. Yes.

Mr. SIMPSON. Mr. Geissler, you stated that you made \$5,000,000 plus in 1948. What was the amount of premiums that you wrote?

Mr. GEISSLER. About \$12,700,000.

Mr. SIMPSON. What was your expense?

Mr. GEISSLER. Administrative expense?

Mr. SIMPSON. Yes.

Mr. GEISSLER. We have the figure on that.

Mr. SIMPSON. I also would like to know what was the cost. Your premium income was \$12,000,000 plus?

Mr. GEISSLER. That is right, for that year.

Mr. SIMPSON. What were the losses?

Mr. GEISSLER. Our losses would be \$7,500,000 and the premium income was \$12,700,000.

Mr. FRETTS. Administrative expenses for the 1948 fiscal year were \$4,411,000.

Mr. SIMPSON. That was office expense and help?

Mr. GEISSLER. Total administrative expense. The administrative funds are provided by direct appropriation.

Mr. SIMPSON. Your operating expenses were \$4,411,000. That was a direct appropriation?

Mr. GEISSLER. That is right. Under the act the administrative expenses are appropriated annually by the Congress.

Mr. SIMPSON. And your actual net profit, if you were a private corporation doing this business, would have been a little over \$1,000,000?

Mr. GEISSLER. That is right. Perhaps it should be pointed out that a good part of that \$4,000,000 applied to the old program which was still on a national basis.

Mr. HILL. What percent would that be, what percentage of the actual overhead expense would be applied to the old program?

Mr. FRETTS. Approximately 25 percent.

Mr. MURRAY. Mr. Chairman.

The CHAIRMAN. Mr. Murray.

Mr. MURRAY. What has been the total loss altogether to the United States Treasury?

Mr. GEISSLER. At the end of 1946, as I pointed out a while ago, the total loss of capital had been in the neighborhood of \$82,000,000. In

1947 there was a profit of approximately \$9,000,000, and this year a profit of approximately \$5,000,000. That is not taking into consideration the administrative expenses.

Mr. MURRAY. Then there really is not a \$5,000,000 profit?

Mr. GEISSLER. Under the act it is a \$5,000,000 profit, but it did cost the Government \$4,411,000 for administrative expenses.

Mr. MURRAY. When I get on the floor I do not want to say it is a \$5,000,000 profit when it is only \$1,000,000. The facts are that there has been a total loss of \$132,000,000 under the program for insuring a few soil-depleting crops.

Mr. GEISSLER. You understand that the act intends that the capital funds and the premium income of the Corporation shall be used only for the payment of losses and the administrative expenses under the act are appropriated annually.

Mr. MURRAY. What was the real profit, then, in 1947, on the same basis?

Mr. GEISSLER. I think our administrative expense for the 1947 fiscal year was approximately \$7,000,000.

Mr. MURRAY. Your net would be about \$2,000,000 or \$3,000,000?

Mr. GEISSLER. Two million dollars.

Mr. SIMPSON. You made \$5,000,000 plus last year and your direct appropriation was \$4,000,000 plus, so that gives you a profit of \$1,000,000 net over all expense and all appropriations on an experimental basis, and it looks to me like you have done pretty well.

What I would like to know is how does the crop insurance cost in comparison with the hail insurance which the old line companies write.

Mr. GEISSLER. It is pretty hard, Mr. Simpson, to make a general statement on that. In some areas the cost of crop insurance, all-risk crop insurance, is very little higher than the cost of hail insurance. In other areas, the all-risk crop insurance premium is considerably higher. It depends upon the historical causes of loss in the area.

Mr. SIMPSON. In your opinion, why is it that none of the so-called old-line companies have ever seen fit to write crop insurance?

Mr. GEISSLER. That is a very hard question to answer.

The CHAIRMAN. It is a fact, is it not, Mr. Geissler, that some of the old-line companies did attempt to write it and failed?

Mr. GEISSLER. Yes; several companies have tried it in the past.

The CHAIRMAN. All of the evidence we have had before the committee originally indicated that it was such a tremendous undertaking and such an unknown field that no company would attempt to do it.

Mr. SIMPSON. Is there any company that is writing it now, anything except hail insurance?

Mr. GEISSLER. I know of no insurance company that writes any kind of crop insurance except hail insurance.

Mr. HILL. Mr. Chairman, it is not fair to compare this type of insurance with what the old-line crop insurers wished to do, because they carried hail insurance. We made it plain on the floor last year and in our subcommittee that what we were trying to do was write a crop insurance program and not a hail insurance program.

The CHAIRMAN. I think Mr. Simpson's question was very pertinent. It was the Hartford Co. that attempted to do it, and they felt it was too great for any private corporation.

Mr. SIMPSON. The point I was trying to bring out is that this committee or the Government or no one else can be criticized for writing crop insurance when no old-line company writes it.

Mr. HILL. We must keep in mind that we are trying to develop this thing and then if someone wants to come into the field there will be no argument. We will let them get into the field, but we will develop the information on these different crops. Is that not correct?

Mr. GEISSLER. That is correct.

THE MUTUAL ASPECT IN CROP INSURANCE

There is one other item on this mutual aspect that I talked about a while ago. We also feel that since we wanted each county to operate as a mutual organization, which in effect is reinsured with the corporation in the case of catastrophic losses, those counties ought not only to attempt to break even, but they ought to be aiming at building reserves within the county. This is necessary so that if the county should happen to have a below-normal year the rates will not have to go up drastically in the following year in order to recoup, and that kind of a loss can come out of reserves.

Mr. SIMPSON. How many counties in the Corn Belt are covered on their corn crops?

Mr. GEISSLER. Fifty counties.

Mr. SIMPSON. How many counties in Illinois?

Mr. GEISSLER. There are six corn counties in Illinois.

Mr. SIMPSON. What provision, if any, can be made to add any counties?

Mr. GEISSLER. Would you mind waiting until we discuss the legislative proposal?

Under this reserve idea, we have determined for each county in the United States what we consider a proper reserve for that county, depending, of course, upon the area and the amount of risk in which the county is located. It varies by counties, depending upon the hazards of the area.

We have indicated to the farmers and the administrative people that their rates will be maintained and we will not only try to carry the losses as we go along, but try to establish reserves for each county. They have also adopted a provision that whenever any county arrives at the required reserve level and gets some reserve over and above that, then without any actual adjustment in the rate we will permit a discount in the following year to all policyholders who had policies the previous year to the extent this excess reserve permits, but not in excess of 30 percent.

Mr. SIMPSON. I do not understand whether you can or cannot under this experimental program add more counties in the Corn Belt.

Mr. GEISSLER. We cannot have more than 50 under the present legislation.

Mr. SIMPSON. Under the present law?

Mr. GEISSLER. That is right.

Mr. SIMPSON. I would like to ask one other question. During the subcommittee hearings a couple of years ago—and I am speaking from memory—there was some evidence of farmers planting crops late and then collecting, for a loss. What evidence have you had of what you might call fraud in this experimental program?

Mr. HOEVEN. I understood that under the present law that would not be possible.

Mr. GEISSLER. Trying it is possible under any law, I think.

Mr. HOEVEN. When we considered the matter 2 years ago, it was getting to be a common practice.

Mr. GEISSLER. That is right. The only way you could prevent that sort of thing is by proper administration.

Mr. SIMPSON. In your opinion, have you had any evidence of attempted fraud in the experimental program?

Mr. GEISSLER. We have had evidence of attempts, but I think we have held the actual cases that have been able to get through on that to a very minimum.

The CHAIRMAN. Mr. Murray.

EXPANSION OF THE PROGRAM

Mr. MURRAY. You will expand the program later to non-soil-depleting crops? Do you think you will ever get into the sections of the United States that do not specialize in soil-depleting crops?

Mr. GEISSLER. If I might be permitted a personal observation, it has been my feeling that our purpose as the Federal Crop Insurance Corporation, especially since the legislation of 1947, was to develop the farm insurance program that eventually could be extended to all farmers on all crops in some form or other. That is one reason we feel that this multiple-crop policy goes in the direction of accomplishing that ultimately.

Mr. MURRAY. But at the present time, for example in many congressional districts, most of the corn is not permitted to mature but is harvested as silage. On the other hand, in Iowa most of it is harvested as corn.

Mr. GEISSLER. I think it is entirely feasible and proper to get into the insurance of forage crops.

Mr. MURRAY. It is too late now to do it for this year, but take it into account in 1950, will you? I do not expect you to take my own county but I would like to see some counties included in my district at least.

Mr. ANDRESEN. I am sure the gentleman will say I did not have anything to do with picking the county.

Mr. GEISSLER. I do not know whether you will believe this or not, but we did not even know it was Mr. Andresen's county until after we had picked it.

Mr. MURRAY. I am glad to hear that. But in all fairness, I would like to see you in 1950 branch out into these counties that are not in the soil-depleting business and at least give them somewhere near an equal break with the soil-depleting systems of agriculture.

Mr. GEISSLER. We have a multiple-crop program this year in Fond du Lac County.

Mr. MURRAY. That is approaching it, then.

Mr. GEISSLER. We do not include forage crops in it this year, but we can expand it in the future.

Mr. MURRAY. Let us get into the forage crops in Fond du Lac County next year. That is not in my district.

The CHAIRMAN. Mr. Hoeven wishes to ask you a question.

Mr. HOEVEN. Mr. Geissler, are you doing any experimental work on soybeans?

Mr. GEISSLER. We have soybeans this year only as a part of the multiple-crops policy. It is one of the crops that is not covered except where we have the multiple-crops policy.

Mr. HOEVEN. I wondered if you would not want to expand that program some time.

Mr. GEISSLER. I have just one other item, and that is our administrative improvements, and I have covered a lot of those already. I discussed the policy and procedure we are now following in setting up the actuarial basis for insurance in a county. I think one of the most important things that we have to do in launching a program in any county is a general educational program to bring about on the part of the farmers a realization that crop insurance is a protection proposition. It is a business proposition, and they will be expected to pay for everything they eventually collect out of it in the way of insurance.

I think that understanding, before you ever launch a program at all, is highly essential to the successful operation of the program in a county. We are doing a great deal of that before we go into any additional counties under our present operation.

Mr. SIMPSON. I still am not in the clear as to whether or not you can add any experimental counties.

Mr. GEISSLER. As the law stands right now, Mr. Simpson, we cannot add any more counties, because we are up to the limits established in the act in 1947.

COUNTY EXPERIENCE IN CROP YEAR 1948

The CHAIRMAN. Will you give us your ideas on that and then go to your legislative recommendations? Will you also put in the record detailed information with regard to the operation of your program in all of the various counties so that we can determine how successfully it has operated in the various counties of the country?

Mr. GEISSLER. We will give you a list of the experimental counties and the program that is operating there. Do you want the 1948 experience in those counties?

The CHAIRMAN. Yes.

Mr. HILL. You will break down the various crops, too, in this report you give to us? Will you give us the experience you have had on corn and tobacco, and by counties?

Mr. GEISSLER. We will do that.

(The information referred to is as follows:)

The following tables show the insurance experience of the Federal Crop Insurance Corporation for the crop year 1948, which is the first crop year in which the Corporation was operating under Public Law 320, passed August 1, 1947.

Tables showing the insurance experience for wheat are separated into tables for spring wheat and winter wheat. Since Public Law 320 was passed too late to put into operation on winter wheat for the 1948 crop year, no new business was written on winter wheat under the provisions of this act. The only winter wheat insurance was that written in 1946 or 1947 on 3-year contracts which were continued in the 1948 crop year. In the spring wheat area, the insurance in effect for the 1948 crop year is a composite of new business written for the 1948 crop year, on the basis of coverages authorized under Public Law 320, and 3-year contracts written in 1946 and 1947, which were continued in the 1948 crop year.

Public Law 320 authorized continuance of any contracts entered into prior to the enactment of that act in those counties selected by the board for operation in 1948.

All data shown on these tables are preliminary as transactions are still being made. However, the figures are essentially complete for all crops except cigar tobacco. Since cigar tobacco is still being marketed, losses for this type of tobacco are estimated.

1948 crop-insurance experience in those counties in which only 3-year contracts were continued

[No insurance was offered under the experimental program in these counties]

WINTER WHEAT

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
California:	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
San Luis Obispo.....	82,788	383,273	-300,485
Sutter.....	7,256	372	6,884
Tulare.....	27,813	148,484	-120,671
Total.....	117,857	532,129	-414,272
Colorado:			
Adams.....	10,349	552	9,797
Baca.....	18,337	5,754	12,583
Kit Carson.....	4,621	322	4,299
Logan.....	32,446	47,736	-15,290
Phillips.....	12,006	1,814	10,192
Weld.....	20,955	6,183	14,772
Total.....	98,714	62,361	36,353
Idaho:			
Bannock.....	10,901	1,054	9,847
Idaho.....	13,886	30,336	-16,450
Latah.....	3,356	1,327	2,029
Lewis.....	6,390	10,994	-4,604
Nez Perce.....	4,451	2,962	1,489
Teton.....	9,251	144	9,107
Total.....	48,235	46,817	1,418
Illinois:			
Christian.....	16,641	237	16,404
Macoupin.....	31,488	1,052	30,436
Madison.....	19,122	6,258	12,864
Mason.....	12,690	447	12,243
Monroe.....	18,832	2,735	16,097
Sangamon.....	21,074	325	20,749
St. Clair.....	15,187	2,647	12,540
Washington.....	10,411	955	9,456
Total.....	145,445	14,656	130,789
Indiana:			
Allen.....	13,546	4,067	9,479
Decatur.....	10,370	2,406	7,964
De Kalb.....	14,588	2,053	12,535
Kosciusko.....	14,580	2,015	12,565
La Porte.....	6,316	1,138	5,178
Noble.....	11,089	962	10,127
Rush.....	10,126	3,476	6,650
Shelby.....	5,730	3,863	1,867
Sullivan.....	7,516	2,235	5,281
Total.....	93,861	22,215	71,646
Kansas:			
Barton.....	10,233	580	9,653
Clay.....	19,561	4,579	14,982
Cowley.....	5,593	293	5,300
Cloud.....	19,620	9,017	10,603
Dickinson.....	38,207	12,832	25,375
Ford.....	30,087	138	29,949
Harper.....	4,629	6,786	-2,157
Harvey.....	6,200	5,532	668
Kingman.....	12,563	19,158	-6,595
Lincoln.....	35,228	8,956	26,272
Marion.....	24,722	19,287	5,435
Marshall.....	34,183	16,551	17,632
McPherson.....	20,720	5,414	15,306
Mitchell.....	21,758	11,660	10,098
Nemaha.....	8,636	2,191	6,445
Osborne.....	25,983	5,013	20,970
Pawnee.....	18,124	2,458	15,666
Pratt.....	7,880	662	7,218
Rawlins.....	9,343	12,345	-3,002
Reno.....	15,994	14,123	1,871
Republic.....	16,370	583	15,787
Rush.....	10,942	85	10,856
Russell.....	23,599	1,583	22,016

¹ Preliminary

1948 crop-insurance experience in those counties in which only 3-year contracts were continued—Continued

WINTER WHEAT—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
Kansas—Continued	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Scott.....	4,854	2,715	2,139
Sedgwick.....	22,115	16,370	5,745
Sherman.....	13,414	8,997	4,417
Stanton.....	6,507	125	6,382
Sumner.....	13,423	13,215	108
Trego.....	7,096	807	6,289
Washington.....	20,613	6,537	14,076
Total.....	508,197	208,743	299,454
Maryland:			
Carroll.....	8,342	19,590	-11,248
Kent.....	7,285	44,400	-37,115
Total.....	15,627	63,990	-48,363
Michigan:			
Barry.....	8,982	2,150	6,832
Clinton.....	13,323	4,900	8,423
Eaton.....	16,705	3,300	13,405
Gratiot.....	13,269	7,200	6,069
Hillsdale.....	8,617	5,250	3,367
Monroe.....	14,632	6,840	7,792
Total.....	75,528	29,640	45,888
Minnesota:			
Dakota.....	1,785	4,478	-2,693
Goodhue.....	1,902	3,937	-2,035
Total.....	3,687	8,415	-4,728
Missouri:			
Bates.....	15,502	5,709	9,793
Cass.....	9,782	5,155	4,627
Chariton.....	29,743	4,922	24,821
Cooper.....	7,812	6,778	1,034
Lafayette.....	14,269	2,687	11,582
Pike.....	8,924	4,647	4,277
Saline.....	23,863	8,951	14,912
St. Charles.....	21,522	761	20,761
Vernon.....	20,266	15,257	5,009
Total.....	151,683	54,867	96,816
Montana:			
Chouteau.....	110,021	2,723	107,298
Fergus.....	91,858	65,853	26,005
Hill.....	105,577	60,908	44,669
Judith Basin.....	67,478	21,272	46,206
Liberty.....	102,825	35,710	67,115
Pondera.....	20,940	0	20,940
Total.....	498,699	186,466	312,233
Nebraska:			
Buffalo.....	11,504	8,439	3,065
Chase.....	23,225	129	23,096
Cheyenne.....	23,082	6,934	16,148
Deuel.....	28,042	4,925	23,117
Gage.....	65,305	18,351	46,954
Hamilton.....	14,665	8,848	5,817
Jefferson.....	33,098	2,664	30,434
Kimball.....	31,475	47,053	-15,578
Nuckolls.....	9,319	14,093	-4,774
Richardson.....	25,516	8,797	16,719
Saunders.....	16,582	3,926	12,656
Seward.....	23,470	7,397	16,073
Total.....	305,283	131,556	173,727

¹ Preliminary

1948 crop-insurance experience in those counties in which only 3-year contracts were continued—Continued

WINTER WHEAT—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
New Mexico:			
Curry.....	54,614	133,806	-79,192
Quay.....	16,249	16,148	101
Total.....	70,863	149,954	-79,091
New York:			
Ontario.....	6,763	1,100	5,663
Seneca.....	9,955	2,650	7,305
Total.....	16,718	3,750	12,968
Ohio:			
Franklin.....	8,943	3,049	5,894
Greene.....	6,180	1,331	4,849
Highland.....	10,976	3,862	7,114
Mercer.....	12,913	3,646	9,267
Preble.....	10,526	928	9,598
Puttman.....	13,712	1,368	12,344
Seneca.....	11,064	3,403	7,661
Stark.....	4,407	0	4,407
Tuscarawas.....	4,425	1,472	2,953
Williams.....	5,882	1,814	4,068
Total.....	89,028	20,873	68,155
Oklahoma:			
Alfalfa.....	19,629	3,807	15,822
Beckham.....	8,787	10,133	-1,346
Blaine.....	23,628	1,550	22,078
Custer.....	25,167	24,095	1,072
Garfield.....	18,368	1,067	17,301
Grady.....	13,470	4,120	9,350
Greer.....	28,193	24,896	3,297
Jackson.....	45,839	5,371	40,468
Kingfisher.....	33,584	1,117	32,467
Kiowa.....	23,374	4,235	19,139
Noble.....	7,182	770	6,412
Tillman.....	45,412	3,089	42,323
Total.....	292,633	84,250	208,383
Oregon:			
Gilliam.....	7,876	0	7,876
Morrow.....	28,258	0	28,258
Sherman.....	7,111	461	6,650
Umatilla.....	59,596	109,327	-49,731
Union.....	12,536	7,441	5,095
Total.....	115,377	117,229	-1,852
Pennsylvania:			
Berks.....	4,231	6,175	-1,944
Chester.....	6,999	15,700	-8,701
Columbia.....	5,097	5,252	-155
Lancaster.....	8,988	26,101	-17,113
Lycoming.....	4,312	1,375	2,937
Total.....	29,627	54,603	-24,976
South Dakota:			
Meade.....	15,168	18,226	-3,058
Tripp.....	5,431	9,161	-3,730
Total.....	20,599	27,387	-6,788
Texas:			
Collin.....	3,354	2,055	1,299
Castro.....	12,051	25,939	-13,888
Deaf Smith.....	25,551	39,117	-13,566
Denton.....	21,092	31,741	-10,649
Floyd.....	6,677	15,097	-8,420
Grayson.....	11,383	10,567	816
Hale.....	7,642	15,438	-7,796
Jones.....	7,972	20,917	-12,945
Knox.....	10,752	13,625	-2,873
Runnels.....	14,791	42,191	-27,400

¹ Preliminary.

1948 crop-insurance experience in those counties in which only 3-year contracts were continued—Continued

WINTER WHEAT—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
<i>Texas—Continued</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Swisher.....	16,107	28,687	—12,580
Taylor.....	15,951	34,119	—18,168
Young.....	15,202	5,195	10,007
Total.....	168,525	284,688	—116,163
<i>Utah:</i>			
Box Elder.....	23,287	9,462	13,825
Juab.....	8,640	4,130	4,510
Total.....	31,927	13,592	18,335
<i>Washington:</i>			
Adams.....	16,364	0	16,364
Benton.....	33,063	2,425	30,638
Douglas.....	9,517	278	9,239
Franklin.....	27,444	1,197	26,247
Grant.....	34,685	0	34,685
Walla Walla.....	47,195	14,000	33,195
Whitman.....	25,078	3,899	21,179
Total.....	193,351	21,799	171,552
Wyoming Goshen.....	24,956	6,340	18,616
United States.....	3,116,420	2,146,320	970,100

¹ Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program

SPRING WHEAT

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
<i>Minnesota:</i>	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Clay.....	7,268	448	6,820
Kittson.....	19,958	42,791	—22,833
Norman.....	13,449	965	12,484
Polk.....	26,090	13,690	12,400
Stevens.....	1,660	1,822	—162
Total.....	68,425	59,716	8,709
<i>Montana:</i>			
Daniels.....	67,444	39,194	28,250
McCone.....	32,725	30,670	2,055
Roosevelt.....	49,188	3,570	45,618
Sheridan.....	120,029	39,349	80,680
Valley.....	98,827	28,965	69,862
Total.....	368,213	141,748	226,465
<i>North Dakota:</i>			
Benson.....	50,486	5,521	44,965
Bottineau.....	47,182	4,865	42,317
Burleigh.....	14,384	2,789	11,595
Cass.....	23,707	1,200	22,507
Griggs.....	9,335	300	9,035
Grand Forks.....	16,530	2,500	14,030
LaMoure.....	22,017	1,600	20,417
McIntosh.....	19,916	300	19,616
McKenzie.....	45,813	1,500	44,313
McLean.....	46,853	3,500	43,353
Mereer.....	15,939	1,500	14,439
Morton.....	48,405	21,500	26,905
Pierce.....	22,938	9,000	13,938
Ramsey.....	32,642	900	31,742
Sargent.....	16,454	5,740	10,714
Sheridan.....	29,995	3,500	26,495

¹ Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program—Continued

SPRING WHEAT—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
North Dakota—Continued	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Stutsman.....	85,674	11,000	74,674
Traill.....	19,218	1,000	18,218
Walsh.....	19,012	9,000	10,012
Williams.....	55,983	14,000	41,983
Total.....	642,483	101,215	541,268
South Dakota:			
Brown.....	55,569	27,370	28,199
Codington.....	6,218	530	5,688
Day.....	11,383	2,901	8,482
Edmunds.....	22,588	5,803	16,785
Faulk.....	28,058	1,172	26,886
Marshall.....	9,252	7,846	1,406
McPherson.....	14,944	8,039	6,905
Perkins.....	25,730	2,714	23,036
Potter.....	39,871	4,684	35,187
Spink.....	5,431	9,161	-3,730
Total.....	219,064	70,220	148,844
United States.....	1,298,185	372,899	925,286

FLAX

Iowa: Osceola.....	1,225	475	750
Kansas:			
Allen.....	811	1,224	-413
Anderson.....	979	971	8
Total.....	1,790	2,195	-405
Minnesota:			
Becker.....	3,825	284	3,541
Blue Earth.....	2,694	220	2,474
Brown.....	6,110	2,266	3,844
Clay.....	3,480	717	2,763
Kandiyohi.....	5,768	5,255	543
Kittson.....	7,110	11,751	-4,641
Lac Qui Parle.....	6,388	1,339	5,049
Lincoln.....	4,753	34	4,719
Lyon.....	9,616	526	9,090
McLeod.....	2,102	946	1,156
Marshall.....	10,308	22,562	-12,254
Martin.....	6,388	796	5,592
Murray.....	4,777	754	4,023
Nobles.....	6,299	443	5,856
Norman.....	6,894	308	6,586
Olmsted.....	837	527	310
Pennington.....	12,748	4,802	7,946
Polk.....	24,841	13,971	10,870
Pope.....	9,393	5,480	3,913
Redwood.....	5,792	348	5,444
Roseau.....	20,724	40,723	-19,999
Swift.....	5,255	1,249	4,006
Traverse.....	7,743	471	7,272
Wilkin.....	4,465	187	4,278
Total.....	178,310	115,929	62,381
Montana:			
McCone.....	1,530	415	1,115
Sheridan.....	624	452	172
Total.....	2,154	867	1,287
North Dakota:			
Barnes.....	3,035	253	2,782
Benson.....	2,104	355	1,749
Cass.....	7,286	232	7,057
Grand Forks.....	3,361	1,078	2,283
LaMoure.....	1,922	460	1,462
McLean.....	6,374	145	6,229

¹Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program—Continued

FLAX—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
North Dakota—Continued	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Nelson.....	2,370	771	1,599
Pembina.....	4,036	4,975	939
Pierce.....	4,947	2,157	2,790
Ramsey.....	922	87	835
Richland.....	3,740	16	3,724
Steele.....	1,877	81	1,796
Stutsman.....	4,437	661	3,776
Trails.....	4,421	1,143	3,273
Walsh.....	5,095	2,941	2,154
Ward.....	8,929	1,541	7,388
Total.....	64,856	16,901	47,953
South Dakota:			
Codington.....	6,620	0	6,620
Day.....	5,896	583	5,313
Roberts.....	9,146	1,847	7,299
Total.....	21,662	2,430	19,232
United States.....	269,997	138,797	131,200

COTTON

Alabama:	<i>Bales</i>	<i>Bales</i>	<i>Bales</i>
Chilton.....	5,488	475	5,013
De Kalb.....	60,514	70,024	—9,510
Houston.....	30,719	2,994	27,725
Madison.....	53,098	13,205	39,893
Pike.....	16,974	847	16,127
Tuscaloosa.....	33,806	823	32,983
Total.....	200,599	88,368	112,231
Arizona: Pinal.....	233,206	20,000	213,206
Arkansas:			
Chicot.....	143,921	56,000	87,921
Crittenden.....	80,661	40,000	40,661
Desha.....	100,018	50,000	50,018
Faulkner.....	27,090	15,000	12,090
Hempstead.....	40,704	38,000	2,704
Lawrence.....	20,112	30,000	—9,888
Lee.....	26,249	9,000	17,249
Total.....	438,755	238,000	200,755
California: Tulare.....	157,220	80,000	77,220
Georgia:			
Burke.....	82,496	70,973	11,523
Carroll.....	15,225	1,095	14,130
Dooley.....	48,294	11,391	36,903
Jackson.....	19,248	15,323	3,925
Total.....	165,263	98,782	66,481
Louisiana:			
Bienville.....	31,690	20,000	11,690
Caddo.....	169,449	12,000	157,449
Natchitoches.....	53,952	12,000	41,952
Richland.....	80,155	7,000	73,155
Total.....	335,246	51,000	284,246
Mississippi:			
Covington.....	26,470	724	25,746
Holmes.....	85,170	2,689	82,481
Lee.....	51,965	17,569	34,396
Quitman.....	71,077	21,218	49,859
Sharkey.....	93,291	2,833	90,458
Tallahatchie.....	31,302	6,000	25,302
Washington.....	400,037	7,500	392,537
Winston.....	9,558	1,032	8,526
Total.....	768,870	59,565	709,305

¹Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered
under the experimental program—Continued

COTTON—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
	<i>Bales</i>	<i>Bales</i>	<i>Bales</i>
Missouri: New Madrid.....	21, 619	270	21, 349
New Mexico: Chaves.....	221, 536	66, 938	154, 598
North Carolina:			
Cleveland.....	67, 807	10, 587	57, 220
Mecklenburg.....	13, 437	482	12, 955
Total.....	81, 244	11, 069	70, 175
Oklahoma:			
Bryan.....	46, 216	148, 029	-101, 813
Garvin.....	3, 901	913	2, 988
Grady.....	16, 385	3, 791	12, 594
Hughes.....	14, 395	31, 128	-16, 733
Total.....	80, 897	183, 861	-102, 964
South Carolina:			
Anderson.....	124, 339	162, 075	-37, 736
Greenville.....	73, 918	58, 347	15, 571
Orangeburg.....	148, 447	16, 244	132, 203
Total.....	346, 704	236, 666	110, 038
Tennessee:			
Lauderdale.....	58, 817	82, 368	-23, 551
MeNairy.....	13, 438	1, 185	12, 253
Total.....	72, 255	83, 553	-11, 298
Texas:			
Anderson.....	32, 646	63, 180	-30, 534
Collin.....	111, 500	100, 126	11, 374
Hill.....	367, 777	323, 139	44, 638
Lubbock.....	174, 825	110, 371	64, 454
McLennan.....	63, 176	8, 885	54, 291
Red River.....	154, 241	92, 238	62, 003
Reeves.....	98, 793	13, 920	84, 873
Rusk.....	40, 912	29, 970	10, 942
Williamson.....	281, 747	53, 884	227, 863
Total.....	1, 325, 617	795, 713	529, 904
United States.....	4, 449, 031	2, 013, 785	2, 435, 246

CORN

	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Illinois:			
Livingston.....	5, 435	0	5, 435
McDonough.....	9, 423	0	9, 423
Montgomery.....	9, 591	519	9, 072
Tazewell.....	4, 402	111	5, 291
Whiteside.....	6, 689	11, 940	-5, 251
Total.....	35, 540	12, 570	23, 070
Indiana:			
Decatur.....	4, 132	417	3, 715
DeKalb.....	2, 242	324	1, 918
Miami.....	4, 435	138	4, 297
Total.....	10, 809	879	9, 930
Iowa:			
Buena Vista.....	25, 186	0	25, 186
Floyd.....	8, 747	4, 341	4, 406
Madison.....	17, 703	0	17, 703
Osceola.....	7, 610	15, 043	-7, 433
Story.....	7, 942	0	7, 942
Washington.....	5, 816	191	5, 625
West Pottawattamie.....	15, 236	0	15, 236
Total.....	88, 240	19, 575	68, 665

¹ Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program—Continued

CORN—Continued

State and county	Earned premiums ¹	Indemnities ¹	Net position ¹
Kansas:	<i>Bushels</i>	<i>Bushels</i>	<i>Bushels</i>
Jackson.....	3,841	19	3,822
Marshall.....	5,337	0	5,337
Total.....	9,178	19	9,159
Maryland: Kent.....	2,473	875	1,598
Michigan:			
Hillsdale.....	12,575	7,672	4,903
Monroe.....	2,863	1,454	1,409
Total.....	15,438	9,126	6,312
Minnesota:			
Martin.....	15,532	0	15,532
Redwood.....	13,519	84	13,435
Wabasha.....	4,973	385	4,588
Total.....	34,024	469	33,555
Missouri:			
Carroll.....	10,404	2,140	8,264
Marion.....	4,838	185	4,653
Nodaway.....	9,095	229	8,866
Total.....	24,337	2,554	21,783
Nebraska:			
Richardson.....	7,721	382	7,339
Saunders.....	34,090	500	33,590
Total.....	41,811	882	40,929
Ohio:			
Champaign.....	5,766	219	5,547
Preble.....	3,022	0	3,022
Seneca.....	2,254	152	2,102
Total.....	11,042	371	10,671
Pennsylvania: Chester.....	3,845	750	3,095
South Dakota:			
Clay.....	14,621	0	14,621
Minnehaha.....	20,904	0	20,904
Total.....	35,525	0	35,525
Wisconsin:			
Lafayette.....	8,384	2,549	5,835
Sauk.....	10,711	10,859	-148
Total.....	19,095	13,408	5,687
United States.....	331,357	61,478	269,879

TOBACCO

State and county	Type of tobacco	Earned premiums ¹	Indemnities ¹	Net position ¹
Connecticut: Hartford.....	51.....	<i>Pounds</i> 127,273	<i>Pounds</i> 25,494	<i>Pounds</i> 101,779
	52.....	30,909	26,230	4,679
Total.....		158,182	51,724	106,458
Florida: Madison.....	14.....	26,224	15,572	10,652

¹ Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program—Continued

TOBACCO—Continued

State and county	Type of tobacco	Earned premiums ¹	Indemnities ¹	Net position ¹
Georgia:		<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>
Appling.....	14.....	44,946	39,278	5,668
Cook.....	14.....	15,393	1,602	13,791
Total.....		60,339	40,880	19,459
Kentucky:				
Bourbon.....	31.....	18,182	4,783	13,399
Graves.....	23.....	60,833	29,677	31,156
	31.....	5,686	3,913	1,773
	35.....	11,857	5,500	6,357
Larue.....	31.....	8,409	5,435	2,974
Pulaski.....	31.....	13,068	5,435	7,633
Simpson.....	31.....	3,807	2,174	1,633
	35.....	6,071	5,000	1,071
Total.....		127,913	61,917	65,996
Massachusetts: Hampshire.....	52.....	50,909	4,310	46,599
North Carolina:				
Columbus.....	13.....	49,725	15,667	34,058
Pitt.....	12.....	103,970	17,413	86,557
Stokes.....	11a.....	71,877	1,822	70,055
Surry.....	11a.....	40,832	8,163	32,669
Vance.....	11b.....	19,403	1,000	18,403
Wake.....	11b.....	62,630	1,600	61,030
Wilson.....	12.....	44,483	7,702	36,781
Total.....		392,920	53,367	339,553
Ohio: Brown.....	31.....	13,750	10,000	3,750
Pennsylvania: Lancaster.....	41.....	144,444	59,259	85,185
South Carolina:				
Horry.....	13.....	96,319	2,369	93,950
Marion.....	13.....	44,542	342	44,200
Total.....		140,861	2,711	138,150
Tennessee:				
Greene.....	31.....	21,164	8,920	12,244
Johnson.....	31.....	6,336	2,809	3,527
Maury.....	31.....	18,230	8,878	9,352
Montgomery.....	22.....	34,293	15,347	18,946
	31.....	7,490	4,696	2,794
Total.....		87,513	40,650	46,863
Virginia:				
Appomattox.....	11a.....	1,724	824	900
	21.....	8,997	1,421	7,576
Halifax.....	11a.....	79,565	4,910	74,655
Lunenburg.....	11a.....	26,985	1,837	25,148
Pittsylvania.....	11a.....	77,720	7,435	70,285
Washington.....	31.....	12,418	1,463	10,955
Total.....		207,409	17,890	189,519
Wisconsin:				
Dane.....	54.....	74,353	21,761	52,592
Vernon.....	55.....	110,736	773,750	-663,014
Total.....		185,089	122,589	62,500
United States.....		1,595,553	1,153,791	441,762

BEANS

Colorado: Elbert.....	\$5,690.36	\$6,622.38	-\$932.02
Idaho: Jerome.....	7,735.07	114.75	7,620.32
Michigan: Huron.....	13,010.47	2,451.08	10,559.39
New York: Wayne.....	6,052.61	86.30	5,966.31
Total.....	32,488.51	9,274.51	23,214.00

¹ Preliminary.

1948 crop-insurance experience in those counties in which insurance was offered under the experimental program—Continued

MULTIPLE CROPS

State and county	Earned pre- miums ¹	Indemn- ities ¹	Net posi- tion ¹
Michigan: Gratiot.....	\$7, 115. 40	\$820. 27	\$6, 295. 13
Minnesota: Goodhue.....	16, 654. 18	364. 22	16, 289. 96
Total.....	23, 769. 58	1, 184. 49	22, 585. 09

¹ Preliminary.

Mr. HILL. We discussed, as you will recall, in 1947, when we were working on this program, the thing that Mr. Murray mentioned, the idea of getting into the proper type of insurance so as to cover these crops that he calls nondepleting crops. I think you have made wonderful progress in 2 years. Soil-depleting crops, of course, should be in. But the question is, To what extent are they soil-depleting crops?

I call your attention to wheat in days gone by. Wheat was harvested by cutting all the straw. For years wheat has been harvested by taking the kernel off the ground. I can show you topsoil in Kansas and Colorado where the humus in the stalk of wheat itself has become so heavy that in plowing it back into the soil in some instances it almost has to be burned. That was unknown some years ago because we took all the straw off the ground. Now we take nothing but the kernel of wheat.

Mr. WORLEY. Will the gentleman yield?

Mr. HILL. I will be glad to.

Mr. WORLEY. You raised another point, Mr. Hill, that I would like to ask Mr. Geissler about.

In figuring your premiums and indemnities, do you include the cost of administration?

Mr. GEISSLER. No.

Mr. WORLEY. If farm prices continue to go down, will that bring about an immediate readjustment in your premium rates?

Mr. GEISSLER. I did not hear all of your question, Mr. Worley.

Mr. WORLEY. Assuming that the prices of agricultural commodities go down, does that mean that the cost of your insurance will also go down?

Mr. GEISSLER. That is right. The premiums and the coverages are established in commodity bushels or pounds. A price equivalent to convert that to dollars is established, which is in direct relationship to marketing prices, so as market prices go on down, of course, your 10 pounds of cotton times 20 cents is less than 10 pounds of cotton times 30 cents, and the same thing will apply to coverages also.

Mr. WHITE. May I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. White.

Mr. WHITE. In regard to irrigated sections, have you issued any policies on irrigated crops at all?

Mr. GEISSLER. Yes; we have.

Mr. WHITE. Speaking roughly in terms of percentage, what was the difference in your premiums on irrigated and nonirrigated crops, such as cotton?

Mr. GEISSLER. Generally, in irrigated areas the coverage runs substantially higher because the yields are higher and the cost of production is higher. With a higher coverage level it requires a somewhat higher premium.

Your premium on irrigated land would be a lower ratio of the coverage than it would be on dry-land crops.

Mr. WHITE. Has your experience been generally more satisfactory in the irrigated areas?

Mr. GEISSLER. I would not say that it has, because you have many problems to contend with in irrigated areas that you do not have in the other areas.

Mr. WHITE. How about flax? Do you insure flax in irrigated areas?

Mr. GEISSLER. We do not have any flax insurance in irrigated areas. We attempted to set up a flax-insurance program in Imperial County in California, and had some meetings with insured producers, but they felt their risk was so slight that they would not be interested in insurance.

Mr. WHITE. I lost about a thousand acres up north of there by freezing out in this past winter.

Thank you.

The CHAIRMAN. Mr. Geissler, had you finished your statement?

Mr. GEISSLER. Yes; I believe that is enough.

PROPOSED CHANGES IN THE CROP INSURANCE ACT

The CHAIRMAN. The proposed bill is your recommendation to the committee?

Mr. GEISSLER. That is right.

The CHAIRMAN. Are you ready now to discuss these recommendations?

Mr. GEISSLER. Yes, sir.

The CHAIRMAN. Obviously, we cannot conclude the hearing this morning, as the chairman hoped might be possible. Can you tell us what your four proposed changes are? We will come back Tuesday morning and conclude consideration of the bill. I would also like Mr. Fred Smith to return Tuesday morning.

Mr. HOEVEN. Mr. Chairman, in that Mr. Geissler has given us a copy of the proposed bill, why could we not have the opportunity to study it over the week end and resume our hearing Tuesday?

The CHAIRMAN. Tell us briefly what these four recommendations are and we will, over the week end, as Mr. Hoeven says, study them. I think it might be well for you to mention them, because some of the members might not have an opportunity to read the proposed bill.

Mr. GEISSLER. One major change or item is a formula for future expansion of the program. That formula provides that beginning with the 1950 crop year the number of counties in any of the programs can be expanded to the extent of 50 percent of the number of counties in the program the previous year.

The CHAIRMAN. In other words, you could double your program in any one year?

Mr. GEISSLER. No; 50 percent of the number you had in the previous year. If you had 50 in 1949 you could have 75 in 1950 and you could have 37 above 75 in 1951.

The CHAIRMAN. What is the next one?

Mr. GEISSLER. The next one is the removal of the limitation in the present act which provides that administrative funds cannot exceed more than 25 percent of the premium income. That provision was put into the act in 1945 not to become operative until 1950.

At the time that provision was put in the act, the program was on a national basis with a relatively high level of income and also at that time insurance was written at a relatively high level of coverage, 75 percent of the normal yield, which carried with it rather high premium rates.

Under the reduced program, it is not possible to reduce the administrative expenses in direct proportion that you reduce the program because certain overhead expenses cannot be reduced as sharply. Our premium income is less because we have a lower coverage and a correspondingly lower premium income. Furthermore, under the provision for expanding the program the appropriation for the following year would be predicated upon the smaller program operation of the previous year.

We feel that since we have to come before the Appropriations Committee annually and have hearings, there are ample safeguards to assure that only such an amount of administrative funds will be provided as are necessary to the sound administration of the program.

The CHAIRMAN. You think that limitation should be removed and leave your case in the hands of the Appropriations Committee which provides the money?

Mr. GEISSLER. That is right.

The CHAIRMAN. What is the next one?

Mr. GEISSLER. The third provision was put in the act in 1945 to become operative with the 1950 crop and provides that in any year when the losses on any commodity exceed the premium income plus the reserves that might have been built up, then the losses have to be prorated among the farmers who have losses. We feel that would be very detrimental to the program, because with our national program deficit we are unable to build up any reserves. Our policies would be contingent entirely upon the annual income. We would have to sell to the farmer a policy that would not have any face value.

The CHAIRMAN. The purpose of that was to force the corporation to become actuarially sound by 1950.

Mr. GEISSLER. I believe that is right.

The CHAIRMAN. You are recommending the removal of that provision. Do you anticipate that it will not be actuarially sound by 1950?

Mr. GEISSLER. I do not believe that is a good measure of whether it is actuarially sound. I believe in crop-insurance, people will always have years when you will pay out more than you collect, and properly so, because that is the kind of a crop you have.

Vice versa, there will be years when you collect more premiums than you pay out, and properly so.

Mr. POAGE. If you do not pay out more some years than you take in as premiums it is utterly senseless for the farmers to take the insurance; is it not?

Mr. GEISSLER. I do not believe you are serving the purpose for which the program was set up if you do not do that. I think the soundness of the crop-insurance program is going to have to be deter-

mined on the basis of a period of years, rather than on a year-to-year operation.

I notice that Mr. Cannon, who offered this amendment on the floor in 1945, has already introduced a bill proposing to remove that particular provision.

The CHAIRMAN. What is your fourth recommendation?

Mr. GEISSLER. Our fourth recommendation is to cancel the capital deficit that existed at the end of the 1947 crop year. Our capital deficit at that time amounts to \$73,000,000.

The CHAIRMAN. If I may interrupt you, that was a deficit that accrued during the time we were on a national program which we now realize was ill-advised and very risky. You sustained these losses, and you want to write them off so that in the future we can view the picture based upon the new operation, which is now an experimental program rather than an all-coverage or all-area program. Is that right?

Mr. GEISSLER. That is right. I think it should be pointed out that this deficit was accumulated under national programs.

The CHAIRMAN. And actually before you took charge of the Corporation; was it not?

Mr. GEISSLER. That is right. To even think of having the smaller number of farmers that are now participating in this experimental program recover that loss is highly impossible.

The CHAIRMAN. In other words, it would be too optimistic to ever hope the Corporation could recoup those losses?

Mr. GEISSLER. That is true. The thing we feel most strongly about is not so much the \$73,000,000 on the books of the Corporation, but that which I discussed here a while ago, of attempting to make the insurance operation in every county in effect a mutual operation. We can sell that idea very well when we go into a county that is starting out even, or into a county that has no reserve, or even a slight deficit. It is bearing a lot of fruit out there in the way of a sounder program. But when you have to go into some of these counties that have a deficit of 4 or 5 to 1 which was incurred on an entirely different kind of program, you cannot sell this mutual idea to them, and there is not much incentive for them to operate a sound program and build up reserves so as to effect future premium reductions.

The CHAIRMAN. Do you recommend that we remove the limitation "while in the field" which is now in the law?

Mr. GEISSLER. This proposed legislation is so written; yes.

The CHAIRMAN. The committee will adjourn until Tuesday morning at 10 o'clock.

(Whereupon, at 11:55 a. m., the committee adjourned.)

CROP INSURANCE

TUESDAY, MARCH 29, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The CHAIRMAN (Mr. Cooley). The committee will come to order.

Mr. Geissler, will you come back to the stand, please?

Mr. MURRAY. Mr. Chzirmen, I would like to ask a question having to do with Mr. Geissler's past testimony.

I asked you the other day what the total loss was on this insurance program.

I do not like to talk about dead horses but did that include the administration costs, or direct appropriations?

FURTHER STATEMENT OF G. F. GEISLER, MANAGER, FEDERAL CROP INSURANCE CORPORATION

Mr. GEISLER. No.

Mr. MURRAY. What would that be?

Mr. GEISLER. In addition to the capital stock losses through 1946, the administrative appropriations were somewhere in the neighborhood of \$60,000,000.

Mr. MURRAY. That makes 142 all together, then.

I thought there was only \$5,000,000 for administration this year.

Mr. GEISLER. May I correct that, please? The appropriations were \$60,000,000. All appropriations were not expended. The actual expenditures during that period were \$52,600,000. That is through January 31, 1949.

Mr. MURRAY. Thank you very much. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Geissler, Mr. Abbitt, a member of the committee, introduced H. R. 3825 after our meeting the other day. I am just wondering if you and your associates have had an opportunity to look over Mr. Abbitt's bill.

Mr. GEISLER. Yes.

The CHAIRMAN. Would you want to discuss the recommendations that you made the other day in the light of the Abbitt bill now, or are you in a position to say to us now that the Abbitt bill, H. R. 3825, contains the recommendations that you submitted to the committee recently?

Mr. GEISLER. It contains the recommendations that we submitted to the committee on Friday.

The CHAIRMAN. Is this bill satisfactory to you and to your associates in the Crop Insurance Corporation?

Mr. GEISLER. Yes.

The CHAIRMAN. Do you have any other suggestions or recommendations to make to the committee that are not incorporated in the Abbitt bill?

CROP INSURANCE COMMITTEES

Mr. GEISSLER. There are a few very minor ones.

One of them that I have in mind has to do with the appointment of crop insurance committees in counties in which we do not have a cooperative agreement with the county agricultural conservation committees.

Currently we do not have satisfactory authority for appointing such committees. We would like to clarify that in the act. It is a very minor thing, Mr. Chairman.

The CHAIRMAN. Could you have the language prepared that we could consider as an amendment to this bill.

Mr. GEISSLER. Yes, we could.

The CHAIRMAN. You mentioned the appointment of soil conservation committees, did you not?

Mr. GEISSLER. No. In most counties, as I indicated on Friday, we have a cooperative agreement with the existing PMA committees in the counties. But in some counties we do not have an agreement so we find it necessary to set up what we call a crop insurance committee.

Our authority for appointing members is not satisfactory. We have to appoint them as collaborators when actually they comprise a policy committee. They should have a different appointment than that of collaborators.

It is a very minor thing and is just a matter of clearing up the administrative difficulties.

Mr. ANDRESEN. Mr. Chairman.

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. What is the reason that the PMA committees will not cooperate?

Mr. GEISSLER. You will remember in our discussion in 1947 there was quite a bit of criticism in the General Accounting Office audit report of the corporation which was made prior to that time and also some criticism raised by some members of this committee that the amount of money that had been expended in some counties had very poor relationship to the amount of crop insurance work that had been performed.

There was also some criticism that in the case of some counties the county PMA committees had not given very much attention to crop insurance.

For that reason an amendment was placed into the act which provided that no matter what kind of a cooperative arrangement we work out, the people that locally administer the program should be directly responsible to the corporation.

Under that provision we have worked out an agreement which we execute with each individual county in which crop insurance operates, provided the PMA committee wants to take on the job, and on the other hand, provided we are satisfied with the kind of work the committee performs.

If there happens to be a county PMA committee that does not want to handle crop insurance work, we set up our own organization.

Mr. ANDRESEN. How many counties are there where you have failed to secure the cooperation of the PMA committee?

Mr. GEISSLER. At this time we are operating with our own organization in 29 counties and operating on a cooperative basis in about 375 or 380.

The CHAIRMAN. What is the trouble with those 29 counties?

Mr. GEISSLER. The committees just simply did not want to take on the job of administering crop insurance in those counties, Mr. Chairman.

Mr. HOEVEN. Is that localized in any particular section?

Mr. GEISSLER. In some cases it is State-wide.

Mr. HOEVEN. Where is that prevalent?

Mr. GEISSLER. We have one State where we do not have any cooperative arrangement with any of the counties. That is Mississippi.

Another State is North Carolina.

The CHAIRMAN. North Carolina?

Mr. GEISSLER. Yes. In the State of Texas we have four such counties.

The CHAIRMAN. Why is it these committees are not interested? Is it the compensation that the committee members receive?

Mr. GEISSLER. No, I do not think that has anything to do with it. I think probably once in a while you find some people out there who just do not believe in crop insurance, Mr. Chairman.

The CHAIRMAN. I am surprised to know this is true in North Carolina. Has your program not been successful in the counties in which you have operated?

Mr. GEISSLER. I do not think that is the situation in North Carolina. The decision was made by the State committee because it felt that the use of corporation personnel to adjust losses and handle certain phases of the program while the county committees performed certain other functions resulted in a divided authority as far as administration of the program was concerned. I think the State committee felt that that would not be conducive to a good program operation and decided it would be better for the corporation to set up its own organization.

I might say that in the case of North Carolina, even though we have our own organization, the county PMA committee men in the insurance counties are participating 100 percent in the program.

The CHAIRMAN. How are the representatives of your corporation compensated in a county?

Mr. GEISSLER. You mean the insurance committees?

The CHAIRMAN. Yes.

Mr. GEISSLER. Right now we have them under what we call a collaborator appointment under which we cannot give them any salary at all, but we reimburse them for their expenses incurred while they are serving.

That is the situation, the item that I want to clear up in the legislation.

The CHAIRMAN. Do you pay them anything for their services in writing insurance?

Mr. GEISSLER. If they go out and act as agents in selling insurance, then they get an agent's appointment and they get the commission for selling.

The CHAIRMAN. What is the commission?

Mr. GEISSLER. The commission varies by counties, depending upon the premium earning.

In a tobacco county it would probably run \$2 to \$2.50 per application.

Mr. SUTTON. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Sutton.

Mr. SUTTON. If this was delegated to the county agents of the various counties, would it not be better?

Mr. GEISSLER. From the very beginning the program was operated on a cooperative basis with what was then the triple-A committees in the counties.

At that time the county agent was an ex-officio member of the county triple-A committees.

He is now an ex-officio member of the PMA committee.

Mr. SUTTON. Since he is already paid, do you not think he would assume that duty along with his other duties?

Mr. GEISSLER. I do not believe very many county agents would want to take on the administration of the crop-insurance program.

Mr. McMILLAN. There would be a little work attached to it which he would not want?

Mr. SUTTON. Naturally he would not want to, but could he not do it?

Mr. GEISSLER. I do not know.

Mr. HOEVEN. Mr. Geissler, do you find any lack of cooperation in the corn and flax counties in Iowa?

Mr. GEISSLER. Our cooperation in Iowa is very good, Mr. Hoeven.

Mr. MURRAY. How about Wisconsin?

Mr. GEISSLER. Very good. It is very good in Minnesota also, Mr. Andresen.

The CHAIRMAN. Mr. Geissler, will you confer with your associates and suggest the amendment which you think will be necessary to give you the power to employ appropriate committees in the several counties in which you are operating without the cooperation of the PMA committeemen?

Mr. GEISSLER. Yes; we can do that.

The CHAIRMAN. Mr. McMillan.

SELECTION OF NEW COUNTIES

Mr. McMILLAN. Mr. Geissler, what was necessary under the program in the past 2 or 3 years for a State to gain additional counties in the tobacco section to come under insurance? Did it require a certain number to sign up?

Mr. GEISSLER. If I understand your question, it is what was necessary under the present act.

Mr. McMILLAN. In my district of South Carolina I understand that if a certain number of them signed up they would gain additional counties under the crop-insurance program.

Mr. GEISSLER. Under the present act we are limited in the case of tobacco to 35 counties throughout the country.

Mr. McMILLAN. I know that is true now.

Mr. GEISSLER. However, when a county is selected to be one of the 35, then there is a requirement in the act that before the program can be operative in that county we have to have at least 200 applications.

So if a county is selected and does not secure the 200 applications, of course the insurance program is not operative and then we can select another county.

Mr. McMILLAN. I had some complaints last year from some farmers that they were under the impression that they could secure an additional county.

Mr. GEISSLER. It cannot be done. We are up to the limit now.

The CHAIRMAN. Do you plan to expand the program next year?

Mr. GEISSLER. That is what the legislative proposal provides for the year 1950, an expansion to the extent of 50 per cent of the number of counties in the various programs in the pervious year.

The CHAIRMAN. I recall you mentioned that the other day.

Mr. SUTTON. That is in this bill, Mr. Chairman.

Mr. HOEVEN. Mr. Chairman.

The CHAIRMAN. Mr. Hoeven.

Mr. HOEVEN. At that point, Mr. Geissler, will you tell us how you are going to select these additional counties now? Under the Abbitt bill, as I understand it, the corn and flax counties will be increased 50 percent of the number of counties for which that insurance was provided the previous year.

I understand there were 50 corn counties. Then your proposal would be to increase that 25 for 1950.

How do you go about selecting those additional 25 counties?

Mr. GEISSLER. We would use essentially the same method that we used in selecting the first 50. In selecting the first 50 for corn, for example, we determined the corn production of the State in its relation to the national corn production.

When you have that ratio you apply that to the 50 counties you had to divide it among. That gave a State like Iowa, for example, 8 counties out of the total of 50.

When we get 25 more we will apply that same ratio to those 25.

Mr. HOEVEN. Who makes the determination of what eight counties they shall be?

Mr. GEISSLER. That is within the State. After that determination is made as to how many counties the State will have, then we will leave it up to our State director and he will work with other agricultural agencies in the State to select the counties.

We will make this one stipulation, that they must again be distributed in the various producing areas in the State and not concentrated in any one area.

What we are trying to do is develop experience which will furnish a basis for a program throughout the State and to concentrate our experimental counties in any one area, of course, would not do that.

I might point out under this suggested formula in the case of cotton we now have 56 counties and would have 84 in 1950, 126 in 1951, 189 in 1952, and 283 in 1953, which is 4 years hence.

In the case of corn, for 1950, 75, 112 in 1951, 168 in 1952, and 252 in 1953.

I would like to point out that the language that is in H. R. 3825 says that the increase shall not exceed 50 percent of the number of counties in which the program operated the previous year. If we did not go to the full limit on the number of counties authorized this year, of course we would be restricted to 50 percent of the number in which we actually operated.

I would like to also point out that this formula provides a maximum, but there is nothing in this bill that makes it mandatory that we go to the maximum if there is anything that we are running into in the program that seems to indicate we should not go that fast.

The CHAIRMAN. Mr. Geissler, suppose we take the bill up section by section and have you discuss it.

What are the real changes authorized in section 1?

Mr. GEISSLER. The first real change that you run into begins on page 2, line 20:

Provided, further, That beginning with the crops planted for harvest in 1950 the number of counties for insurance on wheat, cotton, corn, flax, and tobacco and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties in which such insurance was provided the previous year. The county limitation specified for other insurance may be similarly increased as to any agricultural commodity after the insurance for such commodity has been provided for three years.

The last part of that refers to the provision of the act where we can undertake insurance on three additional commodities in not to exceed 20 counties.

There is nothing in the act now which provides for expansion.

The proposed language would place those commodities in the same category as our regular commodities at the end of 3 years.

Then they could be increased by 50 percent over the previous year. Or on the fourth year there could be 30 counties.

WHILE-IN-THE-FIELD PROVISION

Mr. ANDRESEN. On page 2, lines 3, 4, 5, 6, is that in the existing law?

Mr. GEISSLER. Yes.

Mr. ANDRESEN. I see you have the word "fire" in there. Does that mean destruction by fire when a crop is growing?

Mr. GEISSLER. Yes.

Mr. ANDRESEN. Not after it is harvested?

Mr. GEISSLER. No.

The CHAIRMAN. After it is harvested if it still remains in the field, it would be covered?

Mr. GEISSLER. If it is in the field; yes.

The CHAIRMAN. Under the bill before us would we eliminate the limitations written into the law some time ago with regard to crops in the field?

Mr. GEISSLER. This takes out the in-the-field provision.

The CHAIRMAN. Then if wheat has been harvested and shocked in the field and a fire sweeps through and burns it up the man would recover?

Mr. GEISSLER. It is protected; yes.

The CHAIRMAN. You were saying the other day that it would be covered so far as a fire hazard was concerned up until the time it was actually ready for market.

Mr. GEISSLER. By "harvested" we mean the time it is not only cut but threshed and ready for market.

Mr. ANDRESEN. Would that cover corn that was not shelled and in the crib?

Mr. GEISSLER. No. It would cover corn that may be cut and shocked in the field and not picked from the stalk.

Mr. ANDRESEN. But it would cover tobacco that is put in a shed for curing?

Mr. GEISSLER. Yes.

Mr. ANDRESEN. I do not see how you can furnish that kind of protection for one and not for all of them.

The CHAIRMAN. It is just because of the peculiarities of the commodity, is it not, Mr. Geissler?

Mr. GEISSLER. That is right.

The CHAIRMAN. Until tobacco has been cured, it is still in a green state and is not ready for market?

Mr. GEISSLER. You cannot even determine what your production is in the case of tobacco until it has gone through the curing process.

We could not determine when tobacco leaves the field and goes into the curing barn whether there is a loss or not.

You cannot determine the loss until the tobacco has gone through the curing process.

Mr. ANDRESEN. Insurance in private companies is available to cover that tobacco.

Mr. GEISSLER. Only as far as fire is concerned.

Mr. ANDRESEN. Are there any other reasons for losses after they put the tobacco in the shed?

Mr. GEISSLER. Yes. In this curing process there are a number of other causes of loss that can deteriorate the crop in that process.

Mr. ANDRESEN. What are they?

Mr. GEISSLER. Pole burn, for example. You see, it is hung up over poles to cure and dehydrate itself. If they should have a continuation of extremely wet and damp weather, in spite of the producer's best efforts there will be some pole burn which sometimes causes loss.

The CHAIRMAN. And worms can eat it up after it gets in the barn, too.

Mr. GEISSLER. Several insects can attack it.

Mr. ANDRESEN. You can get that in both corn and wheat. You get the weevil and the rats will eat the corn. They tell me down in the Department that runs into millions and millions of bushels, every year.

I think they gave me a figure of around 300,000,000 to 400,000,000 bushels, a couple of years ago, that was destroyed by rodents. Would it cover that?

Mr. GEISSLER. No; I believe that for the most part can be prevented by the farmers.

Mr. ANDRESEN. Then your idea is to cover only the things that cannot be prevented?

Mr. GEISSLER. That is right. That is fundamental in this entire insurance policy.

Mr. ANDRESEN. Well, we will say in the process of curing tobacco you have to have a fire.

Mr. GEISSLER. Not in all cases.

Mr. ANDRESEN. Well, there is the air cure and there is the flue cure, but in flue cure you have to have a fire?

Mr. GEISSLER. That is right.

Mr. ANDRESEN. And that fire, of course, is started by some human being and he keeps it up?

Mr. GEISSLER. That is right.

Mr. ANDRESEN. If he does not have his flues in proper shape he may have a fire. Would it cover destruction by fire of that kind?

Mr. GEISSLER. It would not cover it if it was due to any negligence on the part of the producer.

Mr. ANDRESEN. I see.

The CHAIRMAN. Right in that connection, Mr. Andresen, if you will permit me to interrupt, I would like to have explained under what circumstances a tobacco farmer could recover on account of the loss of a single barn full of tobacco.

Mr. GEISSLER. Well, very seldom he would recover in the case of a single barn because our coverage is farm wide and is at a relatively low level, about 60 percent of the normal yield.

So if a tobacco producer would have 10 acres of tobacco he would probably have five barns. Is that not probably right, Mr. Chairman?

The CHAIRMAN. Probably four.

Mr. GEISSLER. Four or five barns.

About 2 or 2½ acres to the barn. If that was a normal crop he could lose two of those barns and he still would have in the other three barns the coverage that he is insured for as far as that farm is concerned.

He would have no indemnity coming from us. Our coverage is a farm-wide coverage.

The CHAIRMAN. In other words, in no instance would a farmer likely lose enough by fire to be eligible for an indemnity?

Mr. GEISSLER. That is right. I think I pointed out on Friday that in our 3 years of experience when we had that provision in the program we had less than a dozen claims of loss.

Mr. ANDRESEN. How wide was the coverage at that time?

Mr. GEISSLER. Thirteen counties in 1945 and 18 and 20 in 1946 and 1947.

The CHAIRMAN. Frankly, I want to confess that at the time we first had this program I was under the same impression as Mr. Andresen apparently is at the present time, and I was exercised about that because we had close to a hundred barns burn up in my own county.

I figure if the insurance had been in effect in Nash County it probably would have broken the corporation. Certainly it would have resulted in terrific losses. But I understand in talking to officials of your department that probably not a single one of those farmers would have been able to collect.

I had one on my farm. I would not have been able to collect. My mother-in-law had one on her farm. She would not have been able to collect.

My other objection to it was that I thought it was meeting quite a lot of opposition from the private companies, but apparently that opposition has disappeared because they understand the workings of the program now better than they did at that time.

Mr. GEISSLER. They can go out and write fire insurance on top of crop insurance and the man really gets full protection.

Mr. POAGE. Will the gentleman yield?

The CHAIRMAN. Yes.

Mr. POAGE. Is it not true, Mr. Geissler, that when you had this in force you were actually writing a much higher percentage of coverage on the tobacco crops than you are now?

Mr. GEISSLER. At that time we were writing a full 75 percent; yes.

Mr. POAGE. Consequently, you had to pay more fire losses under that full 75 percent than you have to pay now?

Mr. GEISSLER. That is right.

Mr. POAGE. So that if you had the same number of fires today you probably would not even have had to pay the three or four losses that you did under the old program

Mr. GEISSLER. That is probable.

Mr. ANDRESEN. Mr. Poague, will you yield?

Mr. POAGE. Yes.

MULTIPLE-CROP INSURANCE PROGRAM

Mr. ANDRESEN. Of course, under the old program we know that it was abandoned. We started out again on an experimental program to establish a sound insurance system to cover agricultural losses on growing crops. The thought occurs to me that we certainly should make sure in this experiment that what we are doing is sound, rather than to expand the program into other coverage.

My ideal for the program was to try to give general coverage to the growing crops in a county, give them a blanket policy.

How many counties did you say you put that into operation in?

Mr. GEISSLER. For 1949 it is in seven counties.

Mr. ANDRESEN. You give us blanket coverage on four or five crops, as I understand it.

Mr. GEISSLER. That is right.

Mr. ANDRESEN. That is the ideal program, to my notion, and if we are going to get a sound program that will stand on its own feet, that is the type of program we should continue to experiment with rather than to extend it into some other field.

Mr. GEISSLER. I would agree with you, Mr. Andresen, that if we are looking ahead to the day when we want to give every farmer in the country insurance protection against all the crops he grows, the ideal approach is the multiple insurance policy. That is the one that I think will ultimately be our crop-insurance policy for all farmers in the country.

However, in the meantime we have started these commodity programs, wheat, cotton, and corn. I think in the areas where those are the major crops, those programs are serving a very useful purpose at this time.

I think we ought to continue those programs but in going into new areas where the crops are highly diversified, certainly we ought to provide the multiple-crop program.

We are learning something from both sides on that, Mr. Andresen.

Mr. ANDRESEN. I am satisfied, that considering general price levels in the country and the fact that we are not on the up grade as far as business is concerned, but probably on the down grade, it is going to be much more difficult to raise money by way of taxation than it has been in the last few years.

If you should suffer large losses it may be the end of a really worthwhile program that is now being operated on an experimental basis.

I would hate to see that come. I would rather have you go slow and make it succeed than to expand and have it fail and have the program wiped out.

Mr. GEISSLER. I think that is probably the one thing we are most conscious of at all times, Mr. Andresen, and I think the past history of the corporation would make us conscious of that.

There is no question but what the future of the crop-insurance program depends upon a sound, businesslike operation.

The program is set up to pay its own way, or intended to pay its own way after it gets established, and that is the basis on which we are trying to operate.

Mr. ANDRESEN. I do not want to see you go too fast on expansion until you are sure that your experiment is going to work out and you have proper rates.

Mr. GEISSLER. I agree with you 100 percent on that.

Mr. ANDRESEN. Another thing—since the experimental program started we have had unusual crops in this country.

Mr. GEISSLER. That is right.

Mr. ANDRESEN. If the law of averages works out, we may go into a different kind of climatic conditions, different weather, and we may have crop failures.

Mr. GEISSLER. I think I pointed out on Friday that the experience we have had in 1948, while it is very favorable from a mathematical standpoint, with only a loss ratio of 59 percent, is exactly the kind of experience we should have had with the kind of crops we had nationally in 1948.

I think, if we should happen to have crops sometime in the future that for the country as a whole are below normal, it is only natural and reasonable to expect that we will pay out more losses than we will collect in premiums.

Our aim is to try to make this thing balance out over a period of years, good and bad years being taken into consideration.

REINSURANCE OF PRIVATE COMPANIES

Mr. ANDRESEN. I am worried more about the results after you have the big losses than I am now in your having good crops. What about this reinsurance provision that you have in here, reinsurance with private insurances? What is the significance of that?

Mr. GEISSLER. That was put into the act in 1947. The intent of that was to try to interest some private companies in entering the crop insurance field with the provision that we could underwrite them while they were trying it out. If the venture proved successful probably ultimately private companies would run a crop insurance program throughout the country.

Mr. ANDRESEN. How does that work now?

Mr. GEISSLER. We have contacted a number of private insurance organizations, both mutual and old-line.

So far we have been unsuccessful in interesting any of them in a cooperative arrangement to try this out.

Mr. ANDRESEN. Even though you have agreed to carry the risk?

Mr. GEISSLER. To underwrite them to a certain extent, yes.

Mr. HOEVEN. Mr. Chairman.

Mr. PACE. Mr. Hoeven.

ADMINISTRATIVE EXPENSE LIMITATION

Mr. HOEVEN. Mr. Geissler, what justification do you present for the removal of the limitation on administration funds?

Mr. GEISLER. That is being removed in this proposed bill. The limitation was established in 1944 providing that beginning with 1950 the administrative appropriations cannot exceed 25 percent of the premium income of the previous year.

Mr. HOEVEN. What is wrong with that provision?

Mr. GEISLER. At the time that was put in, Mr. Hoeven, a national program was contemplated on at least three crops—cotton, wheat and flax—which would have a relatively high premium income.

At that time insurance was offered at a high level, 75 percent of normal yield, which carried with it relatively high premiums on a per acre basis and contributed to a very high income.

Subsequent to that, in the 1947 legislation, the program was reduced to an experimental basis with a much smaller scope of operation.

It is impossible to reduce the over-all expense in the direct proportion that we reduced the number of counties. At the same time, the coverage was limited to a lower level, not to exceed investment, which carried with it a lower coverage per acre and of course a lower premium rate per acre and consequently a lower total premium income.

So far it would not have been any problem because at the current high prices on which you convert your commodities to a dollar basis, the premium income of corn is valued at about \$1.35 and a bushel premium income of wheat is valued at about \$2.

But if prices drop down that would have the effect of lowering our premium income in dollars.

Further, if we are thinking of expanding the program, and say in 1950, going into 200 additional counties, the administrative money provided for that program would be based upon the premium income of the previous year's program, which was substantially less.

Our feeling is that since we have to come before the Appropriations Committees of both the House and the Senate every year and have a thorough discussion of the administrative funds that we need, there is plenty of safeguard so that our budget requests will be carefully scrutinized and we will only get the money we ought to have.

On the other hand, if we should find ourselves in the position, because of this limitation, of not being able to get enough administrative money to run a sound crop insurance program on the expanded basis contemplated, it might have a disastrous effect on the whole operation of the program.

I would like to point out here, Mr. Hoeven, that I think we should run crop insurance just as efficiently and cheaply as we possibly can, but on the other hand, in a program such as crop insurance where you have an insurance contract in effect with thousands of farmers out in the country, an administrative dollar wisely spent saves a good many dollars of premium income or capital.

Mr. HOEVEN. I agree with you. If I recall correctly, the gentleman from Minnesota, Mr. Andresen, proposed that amendment when the bill was written. I am just wondering if he has any comment on it. Are you satisfied with the change that we have made here, Mr. Andresen?

Mr. ANDRESEN. I cannot say that I am without seeing more of it. You mean that one on administrative expenses?

Mr. HOEVEN. Yes.

Mr. ANDRESEN. No; I want to know more about it. I have not seen any figures to see what you have spent and what is necessary.

Mr. PACE. Gentlemen, we do not have much time but I understand Mr. Smith is here from the General Accounting Office and had a recommendation on this point.

Mr. Geissler, what do you say we hear from him now?

Mr. GEISLER. That would be very fine.

Mr. PACE. Mr. Smith, suppose you have a seat beside Mr. Geissler. Will you identify yourself for the record?

**STATEMENT OF FREDERICK H. SMITH, ASSISTANT DIRECTOR,
CORPORATION AUDITS DIVISION, GENERAL ACCOUNTING
OFFICE**

Mr. SMITH. My name is Frederick H. Smith. I am Assistant Director, Corporation Audits Division, General Accounting Office.

Our report has not been released yet on this. We are just in the wind-up stage. We have considered several of the matters which are up here for discussion today.

One of them, of course, is this matter with respect to administrative funds. I have a statement which I have prepared. I will read it and then I will elaborate a little bit.

Section 508 (b) of the Federal Crop Insurance Act, as amended, includes the following limitation with respect to the use of administrative funds:

* * * after the crop year of 1949, not more than a sum equivalent to 25 percent of the premiums collected in the preceding year (beginning calculations of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year.

The precise application of this provision of the act is obscure in two important particulars.

First, it does not establish the exact beginning and ending dates of the annual period during which the amount of premiums collected will govern the amount of funds available for such expenses.

Second, the related "current operating year" is not definitely established.

The foregoing provision of the act was one of the amendments approved on December 23, 1944. Since that date, on August 1, 1947, the entire program has been limited to an experimental basis.

Administrative and operating expenses should not be determined in appreciable measure by premiums collected but rather by the requirements of new programs and by the volume of loss claims.

Also, in view of the provisions of the Government Corporation Control Act requiring submission of annual budget programs, the Congress is informed of and required to approve annually the Corporation's program for each ensuing year, including its proposed expenditures for operating expenses.

We believe that such a review and appraisal is a sounder approach to balanced fiscal control than arbitrary limitations imposed upon one segment of its expenditures.

I would like to amplify a little bit and say that administrative expenses are appropriated annually running from July 1 of one year to June 30 of the following year. The Corporation's crop years run from different periods of the year, from maybe the fall to the spring or the spring to the fall. In any one year, administrative expense year, you might have expenses applying to several different crop years to wind up the preceding year, the expenses incident to the current year and the issuance of regulations, plans, and so forth, for the ensuing year.

We just do not believe that it is possible to mathematically determine any established per centum of premiums that could be used for administrative expenses.

If you could, we believe that the review by the Appropriations Committee is a sounder approach than a statutory limitation, as previously contemplated.

Also, the heavy administrative expenses would probably occur in years in which there are heavy losses, because the loss-adjusting expense is one of the heaviest expenses of the Corporation.

In those years possibly, there, it might be necessary after the year is under way, for the corporation to come in and request additional administrative expenses.

If they had already reached a 25-percent limit at that time, based upon whatever basis they might adopt to determine that, they would then have to abandon their loss-adjusting and probably incur extremely heavy losses, which might have been much less if they had had the money to employ the additional loss adjusters that were necessary to handle those losses.

Mr. ANDRESEN. May I ask a question, Mr. Chairman?

Mr. PACE. Mr. Andresen.

Mr. ANDRESEN. How much was collected in premiums in 1948?

Mr. SMITH. During fiscal year 1948 or the crop year 1948?

Mr. ANDRESEN. Let's take the calendar year.

Mr. SMITH. The figures that we have here are for crop years. I am afraid I cannot answer that for any fiscal period. That is the difficulty with this operation.

Mr. ANDRESEN. Can you give me the figure from July 1, 1947, to July 1, 1948?

Mr. SMITH. I have a figure here. Fiscal year 1948, total premiums collected, \$40,079,000.

Mr. ANDRESEN. Of course, in that year the 25-percent limitation did not apply?

Mr. SMITH. I do not believe up to the present time the Corporation has ever had any administrative expense in any one fiscal year in excess of 25 percent of its premiums.

Mr. ANDRESEN. I believe you said you collected \$12,000,000 in premiums.

Mr. GEISSLER. On a crop-year basis in 1948 our premium earning was 12½ million dollars.

Mr. ANDRESEN. And how much did you spend for administrative expense?

Mr. GEISSLER. We do not have that figure on a crop-year basis. That is on a fiscal-year basis. That is one of the problems associated with this thing.

Mr. ANDRESEN. How much did you spend on a fiscal year basis?

Mr. SMITH. \$4,442,000.

Mr. ANDRESEN. That was the appropriation?

Mr. SMITH. The appropriation was \$5,000,000, and they spent \$4,442,000.

Mr. GEISSLER. Part of that was used to complete the 1947 program, you see.

Mr. ANDRESEN. It would seem to me that your premiums were \$12,000,000 and 25 percent of that certainly should be enough to cover your administrative expense.

Mr. GEISSLER. In 1948 we had a very low loss ratio and did not have very many losses to settle.

If we go back over the entire history of the insurance operation I think our normal loss adjustment ratio is about 1 out of 3 in some commodities and 1 out of 4 in some contracts in existence over a period of years.

Probably in the present program it would not run that high. In an average year it might run 1 out of 5. This past year we do not have the final figures on our loss numbers yet but it was probably only 1 loss out of 12 or 15 contracts in force.

Then if we had an exceptionally bad year we might have 1 loss out of 3 contracts in force. It is very hard to predetermine how many losses you might have to adjust.

If you had losses, that is exactly the time when you ought to have enough administrative money to go out and do a good job to inspect those loss claims in order to see that only proper losses are paid.

Mr. ANDRESEN. After a full year of operation, whether it is on a crop year or a fiscal year or a calendar year basis, you know how much you took in in premiums that year and you certainly could take 25 percent of that and know how much you have for the next year?

Mr. GEISSLER. Here is the situation we find ourselves in: Suppose that had been in operation this year. In August of 1948 we had to prepare the budget estimates for the 1950 fiscal year.

At that time we had no idea what the premium income for the 1949 fiscal year would be.

Mr. ANDRESEN. I think that was recognized. You were just starting out then.

Mr. GEISSLER. That would be the situation every year, Mr. Andresen, because that is our budget process.

Mr. ANDRESEN. You would be better off, then, to come back for additional appropriations if you needed them and could justify them?

Mr. GEISSLER. We could not come back if we exceeded the 25 percent, if that was the statutory limitation.

Mr. ANDRESEN. Did I understand you to say the other day that all of your losses were adjusted out of Washington?

Mr. GEISSLER. No; they are adjusted by personnel directly employed by the Corporation, but they are handled by our State offices.

Mr. ANDRESEN. And you have men in the field in various States?

Mr. GEISSLER. Yes; we have a State director in every State and he hires loss adjusters to adjust the losses within that State.

Mr. ANDRESEN. You had some other suggestions you wanted to make with reference to your statement, Mr. Smith.

As I understand it, you say that this is not a satisfactory method.

Mr. SMITH. No, sir; we do not believe that any statutory limitation on administrative expenses would be as successful or give as good control as a review by the Appropriations Committee of an annual budget in connection with the plans for the year in which that budget is to be accomplished.

Mr. ANDRESEN. Sometimes the Appropriations Committee kicks because we do not put a limitation as to the amount of money that can be spent.

Mr. SMITH. I do not know about that, Mr. Andresen. I have had some experience with insurance companies. I have audited quite a few of them in my time. Any casualty or fire company that had an administrative expense ratio of less than 35 percent was considered a very successfully operated company.

The statutory limitation on a statutory loss reserve basis usually runs around 40 percent for administrative expenses.

Mr. ANDRESEN. Of course, no private insurance company runs a business like the Government runs this business anyway, and they would not be in business if they did.

Furthermore, the insurance companies would not touch this kind of a risk.

Mr. SMITH. Yes, sir; that is true, but usually the onus is on the Government corporation as being more expensive to operate than a private corporation.

Mr. ANDRESEN. You tried to investigate the Commodity Credit Corporation for the last 4 years, and I am still waiting for a report.

I do not know whether you have come to any conclusion on that yet. Have you?

Mr. SMITH. Yes; I believe this is in final preparation right now.

Mr. ANDRESEN. They have finally completed the audit that was started about 4 years ago?

Mr. SMITH. Well, it is completed for 1 year.

Mr. PACE. Are there any further questions on the administrative expense item?

If not, the committee will stand adjourned until 10 o'clock tomorrow morning.

Mr. ABBITT. Mr. Chairman, just one observation.

On page 6, line 20 of the bill, section 9, subsection (b) that should be subsection (h). That was an error by the Printing Office.

Mr. PACE. That will be corrected in reading the bill.

The committee will adjourn at this time.

(Whereupon, at 11 a. m., the committee adjourned.)

CROP INSURANCE

WEDNESDAY, MARCH 30, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington.

The CHAIRMAN. The committee will come to order.

Mr. Geissler, will you come back to the stand, please.

FURTHER STATEMENT OF G. F. GEISSLER, MANAGER, FEDERAL CROP INSURANCE CORPORATION

The CHAIRMAN. Mr. Geissler, are you in a position to submit to the committee this morning the amendment which we discussed at the last meeting?

Mr. GEISSLER. Yes. The amendment will be section 11, subsection (a) of section 507 of the Federal Crop Insurance Act and would read as follows:

(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: *Provided*, That personnel paid by the hour, day, or month when actually employed, and county crop insurancee committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended.

The CHAIRMAN. I think that amendment appears to be perfectly plain. Do you think it is necessary and desirable?

Mr. GEISSLER. It is necessary to expedite the local administration of the program.

The CHAIRMAN. Are there any other questions by any member of the committee concerning the Abbitt bill, which is H. R. 3825?

Mr. PACE. I have a question.

The CHAIRMAN. Mr. Pace desires to ask a question, Mr. Geissler.

MULTIPLE CROP INSURANCE

Mr. PACE. Mr. Geissler, how practical would it be to set up a very small experimental program on crop insurance on a whole farm basis? I think the thing that most of us want to see is a program some day where you go to a farm and you insure all crops. For instance, if a man is growing wheat and corn and soy beans, you would insure them.

I think that is the objective that everybody is working toward. I think it would bring about a much cheaper rate of insurance. I was wondering if you did it only on a limited number of farms, for example

48 farms in the whole United States, selecting one farm in each State of the Union, and tried out a complete coverage on those farms on an experimental basis, if that would not be a good thing.

Mr. ANDRESEN. That is what they have been trying to do. I have been waiting for an explanation of the results of the present experimental program.

The CHAIRMAN. Have you any information that you can give the committee concerning the suggestion made by Mr. Pace?

Mr. GEISSLER. Yes. I think what Mr. Pace has in mind is what we have undertaken under the terms of a multiple-crop insurance contract.

Mr. PACE. Does that cover that?

Mr. GEISSLER. Last year, in 1948, we operated that program in two counties and this year we are in eight counties.

Mr. PACE. I did not know you were operating that.

Mr. GEISSLER. Under multiple crop insurance, we have not so far attempted to take in all of the crops that are produced in the county, but for experimental purposes we have taken in the four or five major crops, which represent around 95 percent of the total crops grown in the county.

Mr. ANDRESEN. I asked yesterday that you submit information on Goodhue County, Minn., where you have that program, as I understand it.

Mr. GEISSLER. We have it for that county.

Mr. ANDRESEN. Why not tell us about it here this morning?

Mr. GEISSLER. Goodhue County was one of the counties that was selected in 1948. There we picked the four major crops, namely wheat, flax, corn, and oats, and established a coverage per acre for each one of those crops, which coverage was in line with the investment in producing those particular crops, and then multiplied that coverage per acre by the acreage that was planted to each one of those crops. From the sum of those coverages we arrived at a farm coverage. I would like to insert in the record examples of typical farms showing the manner in which coverage and rates are determined.

(The matter referred to follows:)

Tables I and II show the method followed in arriving at the total coverage and premium for a farm under the multiple-crop-insurance policy. Under this type of policy a total coverage for the farm is determined rather than the coverage for each crop. The coverage per acre for each crop is used only as a basis for determining the total coverage for the farm. After harvest of all the crops covered by the policy the total value of the production for all such crops is obtained. The amount the total value of the production for all the insured crops is less than the total coverage under the policy of all the insured crops represents the amount of loss under the contract.

A basic rate is determined for each crop. This rate applies if only one of the insured crops is produced on the farm. However, if more than one of the insured crops is produced on the farm the basic rate is adjusted depending upon the degree of diversification. In the two examples the farms were widely diversified since all the insured crops were produced on each farm. Therefore, a material adjustment in the basic rate as shown in the column headed "Rate per acre adjusted for diversification" was made. If a lesser number of crops were produced the adjustment in the basic rate is proportionately less.

TABLE I.—*Example of coverage and premium under the 1949 multiple-crop-insurance policy for a typical Perquimans County, N. C., farm*

Crop	Acres	Coverage per acre	Total coverage	Basic rate	Rate per acre adjusted for diversification	Total premium
Peanuts.....	7	\$60	\$420	\$6.10	\$4.25	\$29.75
Corn.....	20	14	280	.45	.15	3.00
Soybeans.....	17	13	221	.80	.15	2.55
Cotton.....	4	42	168	3.00	.30	1.20
Totals for farm.....	48		1,089			36.50

TABLE II.—*Example of coverage and premium under the 1949 multiple crop insurance policy for a typical Goodhue County, Minn., farm*

Crop	Acres	Coverage per acre	Total coverage	Basic rate	Rate per acre adjusted for diversification	Total premium
Corn.....	56	\$30	\$1,680	\$1.05	\$0.75	\$42.00
Oats.....	55	13	715	.95	.30	16.50
Flax.....	17	20	340	1.55	.30	5.10
Wheat.....	15	15	225	1.50	.15	2.25
Barley.....	14	15	168	1.00	.10	1.40
Soybeans.....	9	12	135	.90	.10	.90
Total for farm.....	166		3,263			68.15

Mr. PACE. What crops did you use?

Mr. GEISLER. Wheat, flax, corn, and oats. They represent 95 percent of the crops grown in that county.

From the sum of these individual crop coverages, we arrived at a coverage for the farm which represent roughly the farmer's investment in those four crops on that farm.

If the combination of those crops fails to make the farm coverage, the farmer is entitled to an indemnity. If the combination of income of those crops does make the farm coverages he is not entitled to any indemnity.

In Goodhue County last year under that program we had approximately 500 farmers participating in the program.

Mr. ANDRESEN. Five hundred out of the 3,000 farms?

Mr. GEISLER. I do not know what the total number is.

Mr. ANDRESEN. That is about what it is.

Mr. GEISLER. We did not want to crowd it too far last year. We tried to get what we thought would be enough to give us a good experimental test of the program.

The CHAIRMAN. What was the result of the experiment on those 500 farms last year?

Mr. PACE. While you are looking for that, Mr. Geissler, what is the authority under present law for you to do that?

Mr. GEISLER. Under the present law we just simply combine the authority which says we can undertake three additional crops each year and combine them into one policy. In the new legislation that we are proposing, we are proposing to treat that in the same way as

we would a commodity program, so it does not necessarily need to be tied to a limit of three additional commodities a year.

The experience for Goodhue County last year under that program was \$16,654 earned in premiums, \$364 paid out in losses, which leaves a net reserve of \$16,290.

Mr. ANDRESEN. You say how much was losses?

Mr. GEISSLER. \$364.22.

Mr. ANDRESEN. Out of a \$16,000 premium?

Mr. GEISSLER. That is right.

Mr. ANDRESEN. Last year was a good crop year, and in selecting Goodhue County you picked a county where they seldom have crop failures.

Mr. GEISSLER. We went into the county and met with farmers and agricultural representatives in that county.

The CHAIRMAN. Does that not prove that your premiums are too high? Of course, I realize that you operated only in one year, but if you collected \$16,000 from farmers and only paid out three hundred-and-some-odd dollars, it seems to me that is very substantial evidence that your premiums are too high.

Mr. ANDRESEN. Mr. Chairman, I might say that that loss was probably hail damage, was it not?

Mr. GEISSLER. I do not have that information, Mr. Andresen.

Mr. ANDRESEN. About \$16,000 collected out of 500 farmers would not make it a very big premium for the individual farm.

Mr. GEISSLER. We started out with this program as an experimental proposition last year.

The CHAIRMAN. What was the amount of the premiums?

Mr. GEISSLER. The total amount of the premiums was \$16,000.

The CHAIRMAN. I mean an acre, on wheat, for instance.

Mr. GEISSLER. You cannot express it that way, Mr. Chairman. In arriving at the premium for a farm, it has to be done on what the insurance people call a survey basis. You can understand with this kind of a program the premium will vary depending upon the amount of diversification on the individual farm. If a man has almost equal diversification between the four crops he would have the very lowest premium rate that we have. However, if he has a predominance of one or two crops his premium rate would be proportionately higher.

I can only say that for the average farm in Goodhue County, having the average diversification that the county as a whole had, their premium rate ran around 4 percent of the coverage.

Mr. ANDRESEN. May I ask a question?

The CHAIRMAN. Yes.

Mr. ANDRESEN. You handled the program in Goodhue County?

Mr. GEISSLER. The sales end and the servicing end were handled by the PMA committee in Goodhue County.

Mr. ANDRESEN. Were those policies only written for the crop of 1948?

Mr. GEISSLER. Yes.

Mr. ANDRESEN. What is the demand for coverage for 1949?

Mr. GEISSLER. The program is being offered there again this year, and of course their sales period is not over with, but at the last report I saw they had between 300 and 400 applications.

Mr. ANDRESEN. New applications?

Mr. GEISSLER. New applications.

Mr. ANDRESEN. In addition to the 500?

Mr. GEISSLER. No, the others were just 1-year contracts and terminated last year, so we have to write all the business again this year. It looks on the basis of the report as though they may have around 700 or 800 policies this year.

Mr. PACE. How many counties did you have this last year?

Mr. GEISSLER. Two in 1948 and eight in 1949.

Mr. ANDRESEN. May we have the results of the other county that was in the program?

Mr. GEISSLER. Yes. Gratiot County, Mich., had a premium earning of \$7,115. Indemnities were \$820. There is a net reserve position of \$6,295.

Mr. ANDRESEN. How many farmers and what crops were covered?

Mr. GEISSLER. The Gratiot County, Mich., participation was approximately 300, and the crops covered there were wheat, corn, oats, and I believe dry beans.

Mr. PACE. Mr. Geissler, would you have any serious objection to changing this provision of the bill to extend this type of experimental program to 48 counties, and directing that you set up one in each State of the Union?

Mr. HOEVEN. Mr. Chairman, that would not be practicable in some States.

Mr. ANDRESEN. These two counties are selected counties where the risk is not great. At least I know when I speak for my own county that is true. It seems to me that you could expand this program, taking in other counties in other areas on a selective basis.

Mr. GEISSLER. That is right. For 1949 we have expanded it. There are three counties in Minnesota and one county in South Dakota, Hutchinson.

Mr. ANDRESEN. What are the other counties in Minnesota?

Mr. GEISSLER. Stevens and Dakota Counties in Minnesota, Fond du Lac County in Wisconsin, and Perquimans County, N. C. And we kept Gratiot County.

Mr. POAGE. You have put those all right up in one area of the country, with the exception of the North Carolina county, have you not?

Mr. GEISSLER. That is right, but we are trying to get into the other areas and we have discussed it with our representatives in the other States. If this provision that we propose here goes through, we intend to put it into 50 counties in 1950 and will try to get those counties scattered around as widely as we possibly can in the United States.

We have discussed the possibility of a county in the west Texas and western Oklahoma area where sorghum and cotton and wheat come into the picture.

Mr. PACE. Can we not have your assurance that so far as is practicable you will make it Nation-wide?

Mr. GEISSLER. Yes, that is what we want to do. I think I commented on this Friday. I believe the multiple contract is our future crop-insurance program.

Mr. PACE. If this stays in the bill, does this accelerating clause, as we might call it, at the bottom of page 2 and the top of page 3 where you increase the counties each year by not in excess of 50 percent, apply to this multiple-crop-insurance program, too?

Mr. GEISSLER. That is right. This bill establishes for multiple crops a limitation of 50 counties in 1950 and thereafter it is affected by the same formula.

The CHAIRMAN. That is taken care of in line 19, page 2 where you say 50 counties for multiple crop insurance?

Mr. GEISSLER. That is right. In 1951 the limit would be 75.

Mr. PACE. Do you think you know enough now and have enough information to expand at the rate of 50 percent a year?

Mr. GEISSLER. I believe so, Mr. Pace. However, I would like to point out that the way the bill is written those limitations are maximum but not required or mandatory. It is our feeling that if at any time we felt any one of the programs was showing some weaknesses that would make it wise not to move as fast as the limitations permitted, we certainly would not want to move that fast.

Under the limitations that were set up in 1947 under which we were given authority to insure 50 corn counties and 35 tobacco counties, we did not move into that full limit until 1948 for that same reason. We stayed with 38 corn counties and 33 tobacco counties.

Mr. PACE. I will agree with you that that should certainly be our ultimate objective and that we should reach that as rapidly as we can on a sound financial basis.

Mr. GEISSLER. It is a program that takes a lot of educational work for the program to be successful. It is a program that you cannot sell any other way except on the protection idea, because the opportunities of collection are quite remote under this program, as you can clearly see. But it also gives the farmer absolute protection as far as a minimum income from that farm is concerned.

Mr. ANDRESEN. Will the gentleman yield?

Mr. PACE. Yes.

Mr. ANDRESEN. As I understand it, on this multiple coverage program, if a farmer should lose one crop, if it should be a total loss, he would not recover if his other crops matured.

Mr. GEISSLER. That is correct.

Mr. ANDRESEN. So that it really seems to give blanket coverage. I have known of times, and so have the other gentlemen, where we have had a failure of the hay crop. The clover would freeze out, for instance. Or there would be dry weather during the spring months of the year and we would not get the hay crop. Did you figure that hay is an agricultural commodity?

Mr. GEISSLER. Yes; but so far we have not included that as one of the crops. We are expecting to move into that probably next year.

Mr. ANDRESEN. But there would not be any indemnity paid if a farmer were going to have a partial loss on that complete coverage. It would have to be more than a 50 percent loss of his entire crop that was covered for him to get an indemnity paid.

Mr. GEISSLER. I think our coverage on multiple crops is running approximately 60 percent of a normal crop for the combination of crops. So it would have to be less than the 60 percent for all of the crops involved.

Mr. ANDRESEN. If someone on your staff could give us what the indemnity was paid for in Goodhue County and in that county in Michigan I would like to have that.

Mr. GEISSLER. We can do that from our records.

Mr. ANDRESEN. I would like to see the reason for the payment of that indemnity.

Mr. GEISLER. We can do that.

Causes of damage and amount of loss for each claim on 1948 multiple crop insurance in Goodhue County, Minn.

Coverage for farm	Value of production on farm	Amount of loss	Cause of damage
\$240.03.....	\$78.01	\$162.02	Drought.
\$773.20.....	571.00	202.20	Drought and hot wind.
Total.....		364.22	

Causes of damage and amount of loss for each claim on 1948 multiple crop insurance in Gratiot County, Mich.

Coverage for farm	Value of production on farm	Amount of loss	Cause of damage
\$746.....	\$595.12	\$150.88	Hail and drought blight.
\$284.70.....	97.89	186.81	Drought.
\$308.80.....	173.16	135.64	Excess moisture.
\$146.40.....	116.70	29.70	Winterkill and drought.
Total.....		¹ 503.03	

¹ Does not include unapproved loss claims estimated at \$317.

Mr. PACE. Mr. Geissler, on line 8, page 2, you change the word "crops" to "agricultural commodities," and then on line 19 you go back and say "multiple crop." What is your distinction there?

Mr. GEISLER. If you go back to line 10, Mr. Pace, the last word in that line is "provided" and then in line 11 "that other agricultural commodities may be included in the multiple crop insurance," and then in parentheses, "insurance on two or more agricultural commodities under one contract with a producer."

That language has the effect of putting the multiple crop program as a package in the same category with the other commodity programs in the language of the act.

Mr. PACE. What difficulty are you having under present law under those programs where you want to change to "agricultural commodities"?

Mr. BAGWELL. We were not having any difficulty, Mr. Pace. "Agricultural commodity" is defined in the act to include practically all crops, and we thought that consistent with the idea of having a definition of agricultural commodity we ought to speak in terms of insuring agricultural commodities.

Mr. ANDRESEN. Do you find agricultural commodities to include pasture?

Mr. BAGWELL. I can read the list that is in the act.

Mr. PACE. Just read the definition of agricultural commodities and then the list.

Mr. BAGWELL. Section 518:

Agricultural commodity, as used in this title, means wheat, cotton, flax, corn dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) of section 508 of this title, or any one or more of such commodities as the context may indicate.

Mr. PACE. Pretty broad, is it not?

Mr. BAGWELL. It is very broad.

COURT JURISDICTION OVER CLAIMS

The CHAIRMAN. Mr. Geissler, what changes do you propose in this bill with regard to court jurisdiction over claims? On page 5 the jurisdiction is conferred upon the United States district courts. I have some recollection that the original legislation provided jurisdiction of State courts.

Mr. GEISSLER. The original legislation was, I believe, identical to this. When the act was amended late in 1944 it provided that producers can sue in local courts on claims for indemnity. Our experience under this provision has been that when we are sued in local courts most frequently the decisions are against the Corporation and we are required and forced to take it up to higher courts. Of course, when we get to the United States courts we generally win the decision, but it is a delaying procedure that we have to go through.

The CHAIRMAN. You mean if you can litigate there long enough, you can finally beat them?

Mr. POAGE. That is the maxim of private insurance companies.

The CHAIRMAN. I think that is something that usually happens. I would like to know just that difficulties you have experienced.

Mr. GEISSLER. I would like to have Mr. Bagwell comment on that.

Mr. BAGWELL. Mr. Chairman, I would like to say first of all that my recollection is that the inclusion of authority to sue in State courts was based largely on the idea of convenience to the farmer.

It is our thought now that farmers, like all the rest of us, have pretty adequate transportation to get around, that the convenience to the farmer is outweighed by the disadvantage of having State courts interpret Federal statutes and Federal regulations. State courts have different ideas of what the Federal statutes mean and what the Federal regulations mean.

Weighing that against the convenience of the farmer, it was our thought that the disadvantages outweighed the advantages.

The CHAIRMAN. I think Mr. Geissler made a statement that is contrary to your statement, and I think his statement was a very frank admission that the reason he wants to go into Federal courts is that you had a better chance to beat the farmers in Federal court than you did in the State courts. If you kept them in there long enough, you finally beat them.

Mr. BAGWELL. I do not have any figures on just what our experience has been.

The CHAIRMAN. Have you had any litigation?

Mr. BAGWELL. Oh, yes, indeed. We have suits all the time on claims for indemnities which have been denied.

The CHAIRMAN. Who represents the Corporation in the event litigation arises?

Mr. BAGWELL. The Department of Justice, and the United States attorneys.

The CHAIRMAN. You mean the United States district attorney?

Mr. BAGWELL. That is right.

The CHAIRMAN. He takes charge of the case for the Corporation and goes into the State court and protects the Corporation?

Mr. BAGWELL. That is right.

Mr. POAGE. He does not want to go into the State courts. It is beneath his dignity.

The CHAIRMAN. It is certainly more inconvenient for an ordinary man to go into a Federal court than into his own State court, in the county in which he resides.

Mr. BAGWELL. That is correct. There is another point I would like to comment on. When the suit is filed in the State court, generally there are some 20 days or so to file an answer. In the Federal court it is 60 days.

The CHAIRMAN. That is no objection. It is 30 days in North Carolina, and you may obtain an additional 20 days almost as a matter of course, and as a matter of discretion you may obtain a further extension.

Mr. BAGWELL. We almost always have to get an extension because by the time we get the information that the suit has been filed, the greater part of that period has elapsed.

The CHAIRMAN. All you have to do is wire the judge or the clerk of the court to get an extension.

Mr. BAGWELL. We have never had any difficulty in getting an extension.

The CHAIRMAN. That is the purpose of this section 3 in the bill, is it not?

Mr. BAGWELL. There is one other change in there, the elimination of the requirement for prorating losses.

The CHAIRMAN. Will you point out in the bill the provision with regard to the court?

Mr. BAGWELL. It is in the sentence starting on line 6, page 5.

The CHAIRMAN. And the remainder of that paragraph?

Mr. BAGWELL. That is correct.

The CHAIRMAN. If we strike that out, then under the law you will have to litigate with the man in his own State courts, will you not?

Mr. POAGE. Section 4 repeals the present law, does it not, that gives jurisdiction to the State courts?

Mr. BAGWELL. That is right. You would have to go back to the present language of subsection (c).

The CHAIRMAN. If you struck out everything beginning with the word "in" on line 6 down to and including line 19, ending with the word "repeal," you would then keep the law which requires you to go into State courts?

Mr. BAGWELL. No; this subsection rewrites subsection (c) of section 508 completely. If you are going to put that back in and follow the idea of section 3, you would simply put the old language back in beginning on line 6 of page 5. I can read that language, if you gentlemen are interested.

Mr. ABBITT. Mr. Chairman, if you look on page 6 of the old act of August 1, 1947, you will see it.

MR. BAGWELL. The language is on the bottom of page 6 of the copy of the Crop Insurance Act, which I believe you gentlemen have. It is the third line from the bottom of page 6.

MR. PACE. It can be drafted if the committee decides to change it.

MR. BAGWELL. That is right.

MR. ANDRESEN. May I ask a question?

THE CHAIRMAN. Mr. Andresen.

MR. ANDRESEN. I would like to ask the Solicitor this question. On page 5, line 14, the proviso reads as follows:

No claims shall be allowed under this section unless the same shall be brought within one year.

MR. BAGWELL. Mr. Andresen, there is an omission of two words there. They are very important.

That no suit on such claim shall be allowed under this section unless the same shall have been brought.

That is a 1-year statute of limitations that has been in the act since its enactment in 1938.

MR. PACE. One year beginning when?

MR. BAGWELL. One year from the time the insured is notified of the denial of his claim. He has 1 year to file suit against the Corporation for the indemnity. That has been in the law since its original passage in 1938. Those two words need to be in there. It does not quite make sense without them.

THE CHAIRMAN. Are there any further questions?

MR. GEISSLER. Mr. Chairman.

THE CHAIRMAN. Yes, Mr. Geissler.

MR. GEISSLER. I would like to make a comment on that point. Maybe I used unfortunate language. I certainly do not want to leave the committee with the impression that we are trying to drag these claims out and up to higher courts in order to beat the farmers out of their just claims.

MR. POAGE. Mr. Geissler, in the first place, how does a man get into a Federal court? He has a little claim of a few hundred dollars. Very few of these claims will amount to more than that. Most of them are probably small claims against your Corporation. There are three or four lawyers in the farmer's county. They will take his case on a contingent fee in the State court, but they are not going to go 100 miles to fight this thing in a Federal court without his putting up the cash and without him putting up expense money to go there and stay in the big town for two or three days and litigate. It is going to cost him. He is going to have to put up \$100 or \$200 to get anybody to take his case into a Federal court.

Do you know any other way that a farmer out in a county in Texas could ever get in the court over in Waco without putting up some cash money for the lawyer to go over there and fight it?

MR. BAGWELL. Yes, we do not feel very strong about this provision at all, and if this committee feels that that is not a wise provision, as far as we are concerned, we are agreeable to changing back to the old language. Certainly we had no desire to make it more difficult for farmers to handle their claims.

MR. ABERNETHY. Will you yield, Mr. Poage?

MR. POAGE. Yes.

MR. ABERNETHY. In addition to what Mr. Poage said, in my limited experience I have always found the Federal court a very expensive

place to go. You cannot look in the door without laying down a \$5 bill for the clerk of the court. You would probably finally build up court costs which would exceed the value of the claim.

Mr. POAGE. That is the reason our Federal law generally says that you do not get things of small monetary value in the Federal courts. You have to have \$3,000 involved before you would normally be able to get into the Federal court, except when we come along and pass some special statute. But these claims will practically all be small. Yet you bring into the Federal court the sort of thing that ought to go into the county court and maybe even into the justice court.

The CHAIRMAN. We can take care of that later.

Mr. GEISSLER. May I recommend that we change back to the other language?

Mr. O'SULLIVAN. Mr. Chairman.

The CHAIRMAN. Mr. O'Sullivan.

Mr. O'SULLIVAN. It rather occurs to me that in view of the fact that these claims will necessarily be so small, the rule de minimis non curat lex, the law does not concern itself with trifles, would be invoked. Our Supreme Court of the United States invoked it recently. They said a certain wage-claim case was a de minimis case.

I have noticed that in the Federal courts the first thing the judge says is, "What is involved?" If you tell him \$200, he will often times dismiss the case or force a settlement.

Mr. PACE. The truth about the matter is that there is today such enormous trends toward the Federal courts that the bars of the country are now actively promoting a movement to increase the \$3,000 Federal jurisdiction provision to \$50,000 so that cases may not be removed to Federal courts merely on the basis of the amount involved, unless it is in excess of \$50,000.

There is in this country today a terrific trend toward Federal courts. Not only the State authorities, but the State bars have become very much concerned about it.

Mr. GRANGER. Whose benefit is that for, the litigant's or the lawyer's?

Mr. PACE. In my best judgment, it would benefit both, particularly the litigant, and it is the fundamental principle underlying all of our jurisprudence that a man shall have his cause determined by his own peers in his own bailiwick. That trend is not only violating one of the fundamentals of this country, but in my judgment it is contributing immeasurably toward a further concentration of Federal power, which is one of the very dangerous trends today.

The CHAIRMAN. Mr. Geissler, if you have no objection we will eliminate that.

Mr. GEISSLER. I have absolutely none, Mr. Chairman.

The CHAIRMAN. If there are no other questions, Mr. Geissler, we have with us Mr. Frederick Smith of the General Accounting Office. I would like very much to hear him at this time.

Have you finished your statement, Mr. Geissler?

Mr. GEISSLER. There are a couple of other items I thought you might want to discuss.

The CHAIRMAN. All right, you may discuss them now.

Mr. HOEVEN. Mr. Chairman.

The CHAIRMAN. Mr. Hoeven.

EFFECTIVE DATE OF EXPANSION

Mr. HOEVEN. Before Mr. Geissler continues, I would like to ask this question. Referring to page 2, line 7, of the bill we find the figures 1948. That is a mistake, is it not?

Mr. GEISSLER. No, that is the old language.

Mr. HOEVEN. Why do you have to refer to that?

Mr. GEISSLER. Will you explain that, Mr. Bagwell?

Mr. BAGWELL. That is the language in the act now setting the limits of present programs.

Mr. HOEVEN. If you are amending the law, why should that not read "in 1950"?

Mr. BAGWELL. Our thought was that we would change as little of the bill as possible.

Mr. HOEVEN. You are talking in the language of 1949 about what was in the law in 1948.

Mr. GEISSLER. This part of the old language establishing the base for our present operations and the formula that appeared later on in the act, which is an amendment, predicates future increases on the basis of this old base.

Mr. HOEVEN. Perhaps it is nothing to quibble about, but if you are bringing this up to date it seems to me you would change the date.

Mr. POAGE. If you took out that language about 1948 you might get into a case where you have no authority at all for these contracts about which there has not been a settlement made up to this date, because if there was no legal authority for it, at the time you got to the courts you might have still more trouble. This is just keeping the authority that you have.

Mr. BAGWELL. I would say that if we changed that we would have to change our approach down below, because our increases are based on a percentage of the base limits for the commodities, which are stated above.

Mr. HOEVEN. Somebody reading that might be confused and think we are backtracking.

Mr. WORLEY. May I ask a question?

The CHAIRMAN. Yes; Mr. Worley.

"LOSSES FROM UNAVOIDABLE CAUSES"

Mr. WORLEY. What comes under this "unavoidable causes"? You seem to have everything enumerated. What else could happen?

Mr. GEISSLER. I think you are right. Practically every kind of cause of loss is enumerated there, but occasionally there are some new types of losses that occur that we probably had not foreseen in this bill.

Mr. POAGE. I can give you an illustration that happened right in your district. Coyotes ate up the watermelon crop. I have seen it happen.

The CHAIRMAN. Mr. Geissler, what are the other comments you wish to make?

ELIMINATION OF THE PRO RATA PROVISION

Mr. GEISSLER. At the bottom of page 4, section 3, subsection (e) as amended, reads as follows: "To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the

Board." That language eliminates the pro rata provision of losses which is in the present act.

The CHAIRMAN. Yes; that was the provision in the present law which Mr. Cannon of Missouri was so interested in.

Mr. GEISSLER. That is right. Mr. Cannon has already introduced a bill to make the same change we are recommending in this bill.

INSURANCE ON COTTONSEED

Section 4, on page 5, line 18, repeals the cottonseed insurance provision. Under the present limitation of insurance not to exceed the investment in the crop, we can get full coverage of that investment by insuring the lint without going into seed insurance. We are not using it in our present contracts anyway, so we thought that the language should be removed at that point.

Mr. POAGE. You say you can get full protection of the crop without insuring the seed?

Mr. GEISSLER. You can get the full protection permitted under the act, which says up to the investment in the crop.

Mr. POAGE. That is true, but what objection is there to insuring cottonseed?

Mr. GEISSLER. Under our present contracts we are offering approximately 60 percent insurance on the lint cotton, and that is approximately the investment level. We do not include seed. If we included seed, we would probably have to move the combination of seed and lint down to about a 50-percent level in order to stay within the limitation provided in that part of the act which says not in excess of the investment generally in the area.

Mr. PACE. Do you include the picking of the cotton in that 60-percent investment?

Mr. GEISSLER. Yes; on a harvested crop.

Mr. PACE. You mean to say that you have worked out a table that shows there is 40 percent profit in the production of cotton?

Mr. GEISSLER. No; I do not think that is right, Mr. Pace.

The CHAIRMAN. You insure only 60 percent of the total value of the crop?

Mr. GEISSLER. Of the normal yield. That roughly represents the out-of-pocket cost of producing a cotton crop.

Mr. PACE. I am not going to stop you now, but I wish you would have somebody in the next few days supply me with that calculation.

Mr. POAGE. I would like to see it, too.

Mr. GEISSLER. By that I do not mean to say that there is 40 percent profit, because there are other expenses involved, such as interest on investment and things like that that we do not include.

The CHAIRMAN. Would the cost of picking be included? The farmer has not incurred the cost of picking if the crop is destroyed before picking time.

Mr. GEISSLER. That is right. We have different levels of coverage. Immediately after planting there is a lower level of coverage which covers the cost to that point.

Mr. PACE. But your full coverage includes picking?

The CHAIRMAN. How could it include picking? Your crop certainly cannot be destroyed after it has been picked, within the provisions of the policy.

Mr. GEISSLER. If a man has a very poor crop but enough of a crop to be worth picking, he gets the full coverage and the cotton harvested is subtracted and we pay him for the difference.

Mr. POAGE. In other words, you would give him credit for what he did spend on the picking, which would not be nearly the cost if he had picked a full crop.

Mr. GEISSLER. Yes.

Mr. POAGE. Last year we paid for picking about half the value of the crop. Then we sold the cotton for two bits.

Mr. GEISSLER. When you have that kind of a cost for picking it does not fall in the loss category anyway, Mr. Poage.

Mr. POAGE. No, picking is always paid for by the hundred pounds. The less crop you get, the less you get picked. But generally the poorer your crop is, the more you have to pay per hundred pounds.

What I meant to say is that we grew very poor cotton last year and spent half of the proceeds to get it picked. So you cannot say that the farmer has 40 percent left after planting and chopping and plowing and picking, because he has probably spent more on picking than he has on all the rest of it put together.

Mr. GEISSLER. We arrived at this level of coverage under the new language put into the bill in 1947. This language was for the purpose of reducing the level of coverage to a somewhat lower level more nearly in line with the out-of-pocket costs that a farmer has in producing the crop.

The CHAIRMAN. Is there any other comment you wish to make, Mr. Geissler?

LIVESTOCK INSURANCE

Mr. GEISSLER. I believe that is all, so far as that is concerned.

There is one other item I want to bring up. We have had a number of inquiries from the livestock growers associations and organizations about the possibility of our undertaking insurance on livestock for catastrophic losses. So far, of course, we have not even looked into it because there is no authority in our act for even studying that situation. I just want to bring that to the attention of this committee.

I certainly would not propose, and we certainly would not ask for, any additional authority to undertake livestock insurance at this time, but I think this committee might want to give consideration to some kind of an amendment to this bill which might authorize the Corporation to undertake a study in the next year of the feasibility of such insurance and lay before the committee a year from now the results of our study for your decision as to whether it should be undertaken or not.

The CHAIRMAN. How many years has the crop-insurance program been in effect?

Mr. GEISSLER. 1939 was the first insurance.

The CHAIRMAN. And it has been in effect from that time until now, except for 1 year?

Mr. GEISSLER. That is right.

The CHAIRMAN. How many years during that time have you been in the black?

Mr. GEISSLER. 1947 and 1948.

The CHAIRMAN. Just 2 years?

Mr. GEISSLER. That is right.

The CHAIRMAN. Just since you took charge, and since we put it on a purely experimental basis?

Mr. GEISSLER. That is right.

The CHAIRMAN. Was 1947 on an experimental basis?

Mr. GEISSLER. 1947 still operated under the old act, but it was a year in which we made a profit.

The CHAIRMAN. In other words, you operated with a profit in one year under the original act?

Mr. GEISSLER. That is right.

The CHAIRMAN. Then you have operated with a profit one year under the experimental basis?

Mr. GEISSLER. That is right.

The CHAIRMAN. Do you not think, as manager of the Corporation, that it would be wise for us to keep it on an experimental basis for at least a year or two longer until we can determine just how sound this experiment is?

Mr. GEISSLER. Do not misunderstand me. I am not recommending that we undertake livestock insurance at this time. Since we have had all of these inquiries, I thought you might want to give consideration to the advisability of undertaking a study of the possibility.

The CHAIRMAN. What you contemplate doing now is to expand the experiment we started 2 years ago?

Mr. GEISSLER. That is right.

The CHAIRMAN. And you will do that gradually, as provided in the bill?

Mr. GEISSLER. That is right.

Mr. PACE. Can you not do this livestock study without any express authority, Mr. Geissler?

Mr. GEISSLER. No; there is no authority in this act for anything except crops.

Mr. PACE. I rather think it should be given to you.

Mr. GEISSLER. I am bringing it before this committee only because we have had numerous inquiries from the National Wool Growers Association and the American National Livestock Association. I am certainly not recommending that we even think of trying to insure livestock next year, but if this committee felt that we ought to undertake a study of it and come back to this committee for their decision as to what we should do, we could do that. Maybe it will not even prove feasible.

Mr. PACE. What do you think it would cost?

Mr. GEISSLER. You mean, to undertake the study?

Mr. PACE. Yes.

Mr. GEISSLER. We have not even estimated that, but my guess would be about four men's time for 8 months would do it.

EFFECTS OF THE PRO RATA PROVISION

The CHAIRMAN. Let me ask one other question, Mr. Geissler. What effect would this provision requiring that the premiums be prorated have on the program if it remained in the law?

Mr. GEISSLER. In the first place, we have not been able to build up any reserve in any of our commodity programs, even though we have had profits in the last 2 years, because those profits had to go to reduce the old deficit.

It would have the effect in 1950 of offering the farmers a policy which actually had no face value, such value depending upon what crop conditions were throughout the country as far as that commodity was concerned. If the crop conditions were such that premiums generally were in excess of indemnities, of course we could pay off at the expressed value of the policy.

However, if nationally the crop conditions were such that our losses were in excess of the premiums, we would have to reduce the amount of coverage indicated in the policy to an amount that could be paid with the premium income that we had.

I think from the standpoint of selling a policy like that to the farmers, it would be practically impossible. They want a policy with a face value.

From an administrative standpoint, it would mean that we could not pay any losses until all claims were filed and we were able to summarize all claims and determine whether the premium payments for that particular commodity were sufficient to pay the losses.

The CHAIRMAN. Actually, it would just about wreck the program; would it not?

Mr. GEISSLER. That is certainly my feeling about it.

The CHAIRMAN. Writing off these tremendous losses which were incurred earlier in the program would strengthen the Corporation?

Mr. GEISSLER. For the reason that I believe I expressed in part at the hearing on Friday. It has to do with the attempt we are making to get each county to look at the insurance program in their county as though it were a mutual insurance operation. Under this plan we are saying that their premiums in the future will be determined by the experience they have in that county and by their own experience only. This has a very wholesome effect upon the administration of the program in the county and has a wholesome effect upon the people who participate in the program, and I think has done a remarkable job of cleaning up most of our local administrative difficulties.

In addition to that, I mentioned on Friday that we are setting up a minimum reserve requirement for each county and are telling the producers that when they get reserves above that minimum requirement their premiums will be discounted, as long as that excess reserve exists.

Those things, all of which tend toward this mutual idea of insurance in the county, have helped us strengthen our administration of the program materially and are very effective where a county starts out on an even basis.

Mr. ANDRESEN. Mr. Chairman, I would like to ask a question there.

Take these counties where you have over-all four-crop coverage. Do I understand that you have a reserve credited to that county over and above indemnities?

Mr. GEISSLER. Yes. As far as those counties are concerned, we are keeping books for those counties just like a bank would on an individual checking account. Of course, the money is used to pay losses wherever they occur. That record is kept for the purpose of making future adjustment in their premium rates and if the experience is good, their premium rates would be lower. If their experience is not good, the rates would be higher.

Mr. ANDRESEN. Then you do not ever spread the losses all over the country. Of course, you pay them out of the same fund. But if you should have large losses, as we had prior to the experimental program, some of these counties where they did not have any losses but still paid substantial premiums would really have to stand the losses over the rest of the country and you could not very well reduce the premiums in those particular counties. Otherwise, your losses would be heavier.

Mr. GEISSLER. No; what we do is reduce the premiums in the counties that have good experience and raise the premiums in counties where the experience is not good.

Mr. ANDRESEN. How are you going to make up the difference in areas that you cover where they have heavy losses? Where are you going to get your money to pay the losses with?

Mr. GEISSLER. By increasing the premiums in the areas where the losses occur.

Mr. HILL. Mr. Chairman.

The CHAIRMAN. Mr. Hill.

Mr. HILL. You have that same thing exactly in automobile insurance. The rate that I pay on my car in Washington is quite different than the rate I paid on my car in a rural section.

Mr. GEISSLER. That is right.

Mr. HILL. That is the usual procedure.

Mr. GRANGER. Mr. Chairman.

The CHAIRMAN. Mr. Andresen has not finished.

Mr. ANDRESEN. I used to pay \$50 a year on my liability insurance. Now I pay \$150. I have never collected one dollar, but I have to pay because Brother Hill is careless.

Mr. HILL. Oh, no. What he is saying is that he has used a \$5,000 coverage previously and now he has \$10,000.

Mr. GRANGER. Mr. Chairman.

The CHAIRMAN. Mr. Granger.

Mr. GRANGER. We seem to want to divert attention from the possibility of livestock insurance. That is one of the biggest things we have in agriculture, and I think we ought to have a study of livestock insurance. Would it not be well to have Mr. Geissler furnish us with the necessary cost for conducting an experiment on livestock?

Mr. GATHINGS. He has stated that it only requires 8 months' work of four men.

The CHAIRMAN. I have no objection to that.

Mr. GRANGER. Will you do that, Mr. Geissler, and have it brought up to the committee?

Mr. GEISSLER. I will be glad to do that.

Mr. HILL. Mr. Granger, will you yield for a question?

The only thing I question is, Is this the organization you want to do that work?

Mr. GRANGER. I do not know where there is such an organization.

The CHAIRMAN. Are there any further questions of Mr. Geissler?

Mr. HOPE. I do have one question, if we have time to go into it.

You have a provision in this bill that prohibits any suits on claims in State courts.

The CHAIRMAN. We have already covered that.

Mr. HOPE. All right.

The CHAIRMAN. Mr. Geissler, will you and Mr. Smith come back tomorrow morning at 10 o'clock?

Mr. GEISLER. Certainly.

The CHAIRMAN. We will stand adjourned until 10 o'clock tomorrow morning.

(Whereupon, at 11 a. m., the committee was adjourned until 10 a. m. of the following morning, March 31, 1949.)

CROP INSURANCE

THURSDAY, MARCH 31, 1949

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington.

The CHAIRMAN. The committee will come to order.
Mr. Smith, will you return to the stand at this time.

STATEMENT OF FREDERIC H. SMITH, ASSISTANT DIRECTOR, CORPORATION AUDITS DIVISION, GENERAL ACCOUNTING OFFICE

Mr. SMITH. The other day I made a very short statement with respect to section 508 (b), which is the limitation on administrative expenses.

PRORATIONING OF LOSSES

There is only one other section I wanted to touch, and that was the section with respect to the proration of losses. We believe that limitation is neither administratively feasible nor desirable. As to its administrative feasibility, the payments of indemnities would very probably be delayed for a period of at least a good many months. I think conservatively it might be several years, pending determination of adjustment of all loss claims with respect to specific commodities for specific crop years.

This undesirable result could defeat the major objective of crop insurance and add a heavy burden to the administration of the program.

The desirability of the limitation may also be questionable. Once a pro rata reduction of loss claims has been applied, public confidence in the value and timeliness of the protection afforded by the Corporation's contracts may be seriously impaired or destroyed. If the program is to be continued on an extensive scale, it should be based on a sound actuarial basis developed as a result of an experimental program such as this presently authorized by the act.

I do not think I have anything further to say. I am prepared to answer, if I can, any questions you gentlemen might have.

The CHAIRMAN. If I understand the statement you just made, it is to the effect that under the provisions referred to the Corporation does not determine the amount of indemnities which will be available until after all the losses have been determined for the year. Is that right?

Mr. SMITH. That is right, and that might be quite some time.

The CHAIRMAN. And it might take months?

Mr. SMITH. Well, it might even take several years.

The CHAIRMAN. If some of the policyholders went into court, you would actually have to wait until those court trials had been finally determined and final judgments entered; would you not?

Mr. SMITH. Yes; that is correct.

The CHAIRMAN. You have finished your statement?

Mr. SMITH. Yes, sir; that is all I have to say.

The CHAIRMAN. Thank you very much.

Mr. Geissler, will you come back to the stand?

FURTHER STATEMENT OF GUS F. GEISSLER, MANAGER, FEDERAL CROP INSURANCE CORPORATION

LIVESTOCK INSURANCE STUDY

The CHAIRMAN. Mr. Granger wanted to ask you something about your suggestion that we authorize a survey to investigate the feasibility of a program for livestock.

Mr. GRANGER. Did you make an estimate of what that would cost?

Mr. GEISSLER. Probably around \$25,000.

Mr. GRANGER. I believe you furnished me with an amendment yesterday.

Mr. GEISSLER. Yes.

Mr. GRANGER. That would simply add another section to the bill?

Mr. GEISSLER. Yes; or it could be handled as a separate resolution. I would like to have Mr. Bagwell comment on that.

Mr. BAGWELL. Of course, it is not a part of the permanent crop-insurance law. It was suggested yesterday by Mr. Heinburger that it might be a separate resolution.

The CHAIRMAN. Would you have authority under the present law to make the investigation?

Mr. BAGWELL. No, sir; we would not. Under the present law we are limited to researches dealing with the agricultural commodities that are defined therein. It does not seem to me that livestock is covered by the definition.

The CHAIRMAN. What is embraced in the definition, "only field crops"?

Mr. BAGWELL. Yes. That is the definition which I read here yesterday.

The CHAIRMAN. In other words, the crop-insurance program never contemplated livestock.

Mr. BAGWELL. That is correct.

Mr. HOPE. Let me ask you, Mr. Bagwell, if it would be possible to use Research and Marketing Act funds to make an investigation at this time.

Mr. BAGWELL. Mr. Hope, I would not like to answer that unequivocally, because I have not looked into it.

Mr. HOPE. I wonder if you have looked into it, Mr. Geissler.

Mr. GEISSLER. We have thought about it, but we have not looked into it because I did not know whether there would be any action on it. I merely brought this before the committee. We would be very glad to do that.

Mr. HOPE. Of course, it would be entirely up to the advisory committee and the administrator to determine whether or not they could

use funds for that purpose. The demands for those funds are far greater than the amount that can be allocated.

Mr. GEISSLER. In case this proposed legislation is enacted, of course we will have to go before the Appropriations Committee for a supplemental appropriation for the expanded operation in 1950. Nothing was included in our budget estimate for which we appeared before the Appropriations Committee. Before we would go before the committee with the supplemental, we could find out in the Department whether these marketing research funds were available for that purpose. If they were, we would not put this particular item in the supplemental.

The CHAIRMAN. It would not be wise to put this amendment in the Abbitt bill until you have determined whether or not it is possible to make the investigation, using the funds referred to by Mr. Hope?

Mr. GEISSLER. No, that is not what I meant. I believe this amendment can be acted on at this time, but we would then make a determination afterward, whether we would ask for funds in the supplemental crop-insurance appropriation or whether that particular item could be covered under marketing and research funds already available to the Department.

Mr. HOPE. It seems to me, Mr. Chairman, that it might be a good solution of the matter, for us to adopt the amendment with the understanding that Mr. Geissler will make an effort to ascertain whether this investigation comes within the scope of the authority of the Research and Marketing Act, and in the event it does, the first effort would be made to get funds for that purpose before any effort was made to get a supplemental appropriation.

Mr. HOEVEN. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. HOEVEN. Mr. Geissler, what reason do you have to believe that the work cannot be done with present research and marketing funds?

Mr. GEISSLER. I have no reason to believe that. We just have not looked into it.

Mr. HOEVEN. It seems to me it could probably be handled that way.

Mr. GEISSLER. Offhand, it seems to me it could.

Mr. BAGWELL. Mr. Chairman, I would be glad to call our office and get an opinion from the attorney who handles that. I believe I could find out for you in 5 or 10 minutes.

The CHAIRMAN. Suppose you do that.

Mr. BAGWELL. In addition to the question of authority, there are other questions that have been mentioned by Mr. Hope, as to whether or not there would be sufficient funds to cover this, along with all the other projects that have been set up. I will find out about that now.

The CHAIRMAN. Are there any further questions of Mr. Geissler?

If not, I think that is all, Mr. Geissler. We thank you very much for your appearance. We will excuse you now, and the committee will go into executive session.

(Whereupon, at 10:30 a. m., the committee went into executive session.)

CROP INSURANCE

APRIL 9, 1949.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H. R. 3825]

The Committee on Agriculture, to whom was referred the bill (H. R. 3825) to amend the Federal Crop Insurance Act, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 20, strike out the word "further".

Page 3, line 13, strike out the word "further".

Page 3, line 19, change the words "under the subsection" to read "under this subsection".

Page 5, lines 6 to 17, beginning with the words "In the event that", strike out the rest of the section and insert in lieu thereof the following:

In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

Page 5, lines 18 and 19, strike out all of section 4.

Page 5, line 20, change "SEC. 5" to "SEC. 4".

Page 5, line 23, change "SEC. 6" to "SEC. 5".

Page 6, line 4, change "SEC. 7" to "SEC. 6".

Page 6, line 9, change "SEC. 8" to "SEC. 7".

Page 6, line 15, strike out "\$100" and insert in lieu thereof "\$50".

Page 6, line 17, change the words "per diem for subsistence and other expenses" to read "per diem in lieu of subsistence expenses".

Page 6, line 20, change "SEC. 9" to "SEC. 8" and change "Subsection (b)" to "Subsection (h)".

Page 6, line 24, following the word "crop", insert the words "and livestock".

Page 7, line 2, after the word "commodities", insert the words "and livestock".

Page 7, line 3, change "SEC. 10" to "SEC. 9".

Page 7, after line 8, add the following new section:

SEC. 10. Subsection (a) of section 507 of the Federal Crop Insurance Act is amended to read as follows:

"(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: *Provided*, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended."

STATEMENT

This bill (H. R. 3825) amends the Crop Insurance Act by providing a formula for the gradual expansion of crop insurance, which was not provided for in the revision of the act of August 1, 1947, placing the program on an experimental basis, and makes other changes in the existing law to make it more applicable to the new program which has been developed since the 1947 revision of the act.

HISTORY OF FEDERAL CROP INSURANCE

The Federal Crop Insurance Corporation was created in 1938 with authority to insure producers of wheat against loss due to unavoidable causes, commencing with the 1939 crop. Then, as today, private companies did not offer this type of insurance. Although the commodity produced by the farmer could be covered by insurance throughout the whole channel of processing, transportation, and distribution until it reached the consumer, insurance was not available to the producer against the many risks of production. Yet the producer's risk is relatively far greater than the risks incurred in processing, transportation, and distribution. It was in recognition of this situation that the Federal Crop Insurance Act was adopted in 1938.

After 3 years of experience with wheat insurance, the Corporation was authorized to insure cotton, starting with the 1942 crop. By 1943 the program had operated at a loss each year and Congress did not provide funds for insurance on the 1944 crop, except for liquidation of prior years' contracts. In December 1944, however, the insurance program was reinstated as to wheat and cotton and extended to permit the insuring of flax on a national basis and other commodities on a trial basis. Following this reinstatement of the insurance the experience was varied, with premium surpluses earned on some commodities and with losses in excess of premiums on others.

A more complete discussion of the early experiences and difficulties of crop insurance will be found in House Report No. 470, Eightieth Congress, first session.

In 1947, faced with the complete collapse of the crop-insurance program provided by the then existing legislation, the Committee on

Agriculture conducted extensive hearings on the subject and completely revised the crop-insurance law. This legislation was passed by the Congress and approved by the President on August 1, 1947. The committee's objective and purpose in amending the act is best stated by the following quotation from its report (H. Rept. No. 470, referred to above):

If crop insurance is to succeed in the United States, it must fulfill two basic requirements: (1) It must be sound from a business standpoint—capable of “paying its own way” and operating without loss to the Government; (2) it must offer farmers a type of insurance they want and are willing and able to pay for.

The committee believes that it is possible eventually to write crop insurance that will meet both these basic qualifications. It does not believe that this can be accomplished overnight nor that it is reasonable to expect that a half-dozen crop seasons of experience will achieve for crop insurance what it took other forms of commodity insurance many years of trial and error to develop. The committee is convinced, however, that the best interests of farmers themselves will be most truly served if the Public Treasury is protected against excessive loss, by curtailment of the insurance program during its development period to the smallest scale consistent with effective experimentation, and expanding it later only when experience had indicated that a sound insurance plan has been worked out.

THE EXPERIMENTAL PROGRAM

The 1947 revision of the act made a number of important changes in the scope and nature of the crop insurance program:

(1) It put the whole program on an experimental basis, limiting the number of commodities for which the Corporation could write insurance and the number of counties in which such insurance could be offered.

(2) It limited the coverage to an amount roughly equivalent to the farmer's investment in the crop.

(3) It broadened considerably the authority of the Corporation to try various types and kinds of insurance with a view to developing those types which can be used most successfully for crop-insurance purposes.

(4) It authorized insurance on an established-price basis, thus eliminating the necessity for the Corporation purchasing quantities of commodities equal to its premiums and engaging in hedging operations.

(5) It authorized, among other possible plans, the issuance of insurance through area associations of farmers which would bear part of the responsibility of insurance.

(6) It encouraged the entry of private insurance companies into the crop-insurance field by authorizing the Corporation to reinsure private companies to a limited extent.

DEVELOPMENTS UNDER THE NEW LAW

The committee feels that the experience with crop insurance under the new law has been most encouraging. The year 1948 was, of course, an excellent one for most crops in the United States and the committee is not so much impressed with the fact that premiums in that year's program amounted to about \$12,500,000, while the losses amounted to only about \$5,200,000, as it is with the sound basis on which the Corporation has gone about the job of establishing a crop-insurance program under the new law. The committee feels that those responsible for the Corporation's administrative policies are to be commended for the

manner in which they have discarded previous practices and procedures where necessary, and have undertaken in a wholehearted and most cooperative manner to put into operation the intent of Congress as stated in the act of August 1, 1947.

LIMITED EXPANSION JUSTIFIED

The committee was aware when it sharply restricted the number of counties in which insurance could be offered under the experimental program that it was denying insurance to many farmers who wanted it and to a good many counties which had a favorable crop-insurance record. While the program must be regarded as still on an experimental basis, the committee believes that it is desirable to permit an orderly expansion from year to year of the types of insurance which appear to be on a sound actuarial basis.

Under the present law, insurance is available to farmers in only approximately 400 counties and there is no provision for expansion except into new commodities. The development of sound crop insurance is only part of the objective sought by Congress. The other part is the extension of crop insurance as rapidly as experience justifies to farmers to whom crop insurance is not now available. This bill provides a formula for such expansion. It authorizes, as to each type of insurance, an increase each year of not to exceed 50 percent of the number of counties in which that type of insurance was offered during the preceding year.

It is the understanding of the committee that the expansion will take place within this limitation only as rapidly as the experience of the Corporation and the demand for the insurance justifies, and that in selecting new counties for such expansion the Corporation will continue to be guided by the policy that such counties will be selected in a manner representative of the major producing areas of the country and also representative of the various types and degrees of risk involved. At the maximum rate of expansion herein authorized, it would take from 5 to 10 years to provide insurance to all counties, depending upon the specific commodity insured and the type of insurance offered.

MULTIPLE CROP INSURANCE

The committee gives recognition in this bill to a new and promising type of crop insurance, tried experimentally by the Corporation in two counties during the 1948 crop year and being expanded to seven counties in 1949. This is a comprehensive crop-insurance policy known as multiple crop insurance. Under this policy all the major crops on a farm are insured. While the crops on the farm are considered separately in establishing the amount of coverage and premium rate, the insurance contract is farm-wide, guaranteeing the farmer a return from all the insured crops equal to the amount of his insurance. If the production from all crops combined is less than this amount, the farmer is indemnified. Loss is not determined separately on individual crops, and profits earned from large yields on some crops may be used to offset severe losses on other crops.

This type of crop insurance is highly desirable in diversified farming areas where insurance of one or two crops separately would not give the farmer adequate protection against loss on his farming operations.

The committee feels that this type of crop insurance may ultimately be the type used in much of the country and feels that experimentation on this type of program should be pushed forward rapidly. The committee believes also that in developing this type of insurance, special attention should be given to including those crops which are soil building in character and which are the most valuable in a sound conservation program. To facilitate the development of "multiple crop insurance" the committee has provided that it be recognized in the legislation as separate from the commodity-insurance programs and not be restricted by the limitation that provides that only three new commodities may be added annually. This type of insurance is authorized in 50 counties; beyond that limit the same formula for expansion applies as in the commodity-insurance programs. ✓

LIQUIDATION OF PREVIOUS LOSSES

From the start of the crop-insurance program in 1939 through the year 1947 a deficit of approximately \$73,000,000 was incurred in program operations. This loss was incurred while the program was on a Nation-wide scale and before the experimental program authorized in 1947 was instituted. It included 7 years of net losses to the Corporation and 1 year (1947) of net profit. The committee believes that this loss should be charged off as part of the cost of developing crop insurance on a trial-and-error basis and that the experimental program on which the Corporation is now engaged should not be burdened with the deficits of the earlier Nation-wide program.

One of the important parts of the new crop-insurance program is that of building up earned surplus reserves not only on the books of the national corporation, but to the credit of each participating county. It will be a tremendous handicap to the program and an injustice to the relatively few farmers who are taking part in the experimental program if they must first overcome the \$73,000,000 deficit incurred under the previous system before they can build up any earned reserves under the new program. The committee has included in this bill, therefore, the authority and direction for the Secretary of the Treasury to write off the \$73,000,000 deficit incurred prior to 1948.

PRORATING LOSSES

When the Federal Crop Insurance Act was amended in 1944 and the program reinstated after a lapse of 1 year in operation, two provisions were inserted in the act which were not made applicable until 1950. One of these provisions was that if the premiums and reserves on any commodity were not adequate in any year to meet the losses on the commodity the losses would be paid only on a pro rata reduced basis.

This provision would make it necessary to offer farmers insurance contracts without a face value. Farmers would have no guaranteed protection in years of widespread crop failure. In such years when many farmers would need indemnity for loss of their crop the amount of indemnity would be severely reduced by prorating. On the other hand, in years of fairly good crops those few farmers who suffered losses would be paid in full because the prorating would not apply that year.

Furthermore, it would not be possible to indemnify a farmer for a loss until all claims had been submitted and the total loss claims determined. It might be a year or more after harvest before the farmer could be indemnified for a loss. Time is the essence of any insurance. The indemnity funds must be available to the insured when he needs them. It is doubtful that farmers would want such insurance. The committee believes that this provision was put in the act as a last resort in the event that a sound program could not be developed and that it should now be removed.

ADMINISTRATIVE EXPENSES

The other provision applicable in 1950 was that administrative expenses should be limited to an amount not in excess of 25 percent of the premiums collected for the preceding year. This provision was adopted in 1944 when the crop-insurance program was still on a Nation-wide basis and premium income was at a much higher level than under the limited experimental program. Under the experimental program administrative costs are certain to run considerably higher than they will after the program has been developed and expenses for various types of experimentation and planning are no longer necessary. Furthermore, under an expanding program which will gradually make crop insurance available to more and more farmers, operations each year would naturally be somewhat larger than in the preceding year, which would be used as a base. Since the Congress appropriates annually the funds for the administrative expenses of the Corporation it appears to the committee that there is no need for the present limitation. An additional consideration is that one of the largest items of administrative expense is that of loss adjustment, and that in a year of uniformly heavy crop losses throughout the country an arbitrary limitation which would prevent the employment of sufficient personnel to examine loss claims would offer poor protection to the capital of the Corporation.

GENERAL ACCOUNTING OFFICE RECOMMENDS CHANGES

In the hearing on the bill, a representative of the General Accounting Office appeared at the invitation of the committee and stated that the GAO recommends enactment of the provisions in the bill relating to the cancellation of the \$75,000,000 deficit the Corporation incurred prior to 1948, the section eliminating the prorata payment of losses after 1950, and the section removing the limitation on administrative expenses.

LIVESTOCK

During recent months severe storms and heavy snows in the western area of the country have resulted in large losses of livestock. In the case of many individual producers the loss has destroyed their investment and will leave them in debt. Without insurance protection of some kind against repetition of such losses, financing agencies in many cases will be reluctant to advance credit for livestock production. There is no private insurance available. Many livestock producers and their organizations are interested in the possibilities of developing some type of insurance to meet their needs and furnishing protection against severe catastrophes of this nature. They have asked that the

Federal Crop Insurance Corporation give consideration to livestock insurance. This committee has expanded the provision of the Federal Crop Insurance Act which authorizes research on crop insurance to include research on livestock insurance. It feels that no consideration should be given at this time to attempting actually to insure livestock but that in view of the needs of farmers for this type of insurance research should be in progress along that line.

ANALYSIS OF THE BILL

Section 1: Amends subsection (a) of section 508 of the act to provide for an annual increase in the number of counties in which the insurance now offered by the Corporation can be written. The crop-insurance program is thus continued on the experimental basis in effect since 1947 and at the same time provision is made for steps toward the ultimate objective of a sound insurance program available to all farmers.

Page 2, line 2: The words "while in the field" have been deleted to enable the Corporation to continue its insurance protection until the production or value of the crop is ascertainable. The Corporation has no authority to insure farm commodities beyond the point where they are ready to market. In the case of most crops, this occurs when the crop is threshed or otherwise harvested in the field. In the case of a few crops, however—particularly tobacco—the crop is not ready for market until it has remained some time in a curing barn. This amendment permits the Corporation to insure such crops until they are a marketable commodity and their value can be determined.

Page 2, lines 10 to 13: The proviso recognizes under the name "multiple crop insurance" a type of insurance under which two or more agricultural commodities are insured under one contract. This type of insurance is designed for diversified farming areas and has already been tried in a small number of counties with results which indicate it should be extended as experience justifies.

Page 2, lines 14 to 20: This provision restates the existing county limitations for the various commodities and adds 50 multiple crop-insurance counties. The 1948 authorization remains as the base for the experimental program.

Page 2, line 20 to page 3, line 4: The proviso permits the Corporation, beginning with crops planted for harvest in 1950, to increase annually the number of counties in which insurance on a crop may be offered by not in excess of 50 percent of the number of counties in which insurance was provided the previous year.

Page 4, lines 7 and 8: The words "excluding farms refused insurance on the basis of the risk involved" have been added. This addition permits the Corporation to disregard farms determined by it to be bad insurance risks in determining the minimum participation requirements contained in the act. This change is consistent with the existing limitations as to minimum participation.

The remaining provisions of the subsection are the same although there has been some rearrangement.

Section 2. This section strikes from subsection (b) of section 508 the provision under which the administrative expenses of the Corporation are restricted, after the crop year 1949, to a sum equivalent to 25 percent of the premiums collected in the preceding year. This limitation on administrative expenses was enacted when the program

was operating on a national basis, and are incompatible with proper administration and development of the experimental program authorized by the act.

Section 3. This section amends subsection (c) of section 508 by deleting from the subsection the provision which requires the prorating of losses beginning with the crop year 1950.

Sections 4, 5, and 6: These sections write from the Corporations books the losses suffered before the program was placed on an experimental basis in 1947. The effect is to relieve the present program of the capital impairment incurred while the Corporation provided, without any previous experience, high-coverage insurance on a national basis in accordance with the original concept of crop insurance. Elimination of the national program deficit will permit the present program to be developed and administered on its own merits.

Section 7. The compensation which may be paid members of the Corporation's Board of Directors who are not employed by the Government is reduced from not in excess of \$100 to not more than \$50 a day, reflecting the present practice, and the subsistence which may be paid to such directors is changed from "necessary expenses" to a per diem not to exceed \$10.

Section 8: This section amends subsection (h) of section 506 to remove obsolete language and to provide for the Corporation making a study of the possibility of developing some type of livestock insurance. The inclusion of livestock was made in response to requests from livestock producers.

Section 9: This section corrects a clerical error in the act.

Section 10: This section amends subsection (a) of section 507 to exempt from the Ramspeck Act (54 Stat. 1211) personnel paid by the hour, day, or month when actually employed, and county crop-insurance committeemen. The compensation of the excepted personnel may be fixed under the Classification Act of 1923, as amended. The exceptions are necessary to adapt the local administration of the insurance program to local conditions and to provide the flexibility necessary for successful operation.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

FEDERAL CROP INSURANCE ACT, AS AMENDED

Act of February 16, 1938 (52 Stat. 72)

SEC. 508. To carry out the purposes of this title the Corporation is authorized and empowered—

[(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity: *Provided*, That reinsurance for private insurance companies shall be limited to contracts covering farms in not to exceed twenty counties selected by the Board. Such insurance shall be against loss of the

insured commodity while in the field due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided*, That if 75 per centum of the average yield represents generally more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. In 1948 insurance shall be limited to not more than seven crops (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional crops in each year thereafter. Insurance provided for any agricultural commodity, except wheat, cotton, flax, corn, and tobacco shall be limited to producers in not to exceed twenty counties. Insurance for wheat, cotton, corn, flax, and tobacco shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, and thirty-five counties in the case of tobacco. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. Insurantee shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity; nor shall insurance of any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured. ✓

(a) Commencing with crops planted for harvest in 1943, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: *Provided*, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, thirty-five counties in the case of tobacco, twenty counties in the case of any other agricultural commodity, and, in addition, fifty counties in the case of multiple crop insurance: *Provided*, That, beginning with crops planted for harvest in 1950, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties in which such insurance was provided the previous year and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for three years. Reinsurance for private insurance companies shall be limited to not to exceed twenty counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided*, That if 75 per centum of the average yield represents generally more ←

protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured.

(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish as expeditiously as possible a reasonable reserve against unforeseen losses: *Provided*, That such premiums may be established on the basis of the parity or comparable price for the commodity as determined and published by the Secretary of Agriculture, or on the basis of an average market price designated by the Board. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine: *Provided*, That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year.

(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided*, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid: *Provided, further*, That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity, (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

(d) From time to time, in such manner and through such agencies as the Board may determine, to purchase, handle, store, insure, provide storage facilities for, and sell the agricultural commodity, and pay any expenses incidental thereto, it being the intent of this provision, however, that, insofar as practicable, the Corporation shall purchase the agricultural commodity only at the rate and to a total amount equal to the payment of premiums in cash by farmers or to replace promptly the agricultural commodity sold to prevent deterioration; and shall sell the agricultural commodity only to the extent necessary to cover payments of indemnities and to prevent deterioration: *Provided, however*, That nothing in this section shall prevent prompt off-set purchases and sales of the agricultural commodity for convenience in handling. Nothing in this section shall prevent the Corporation from accepting, for the payment of premiums, notes payable in the commodity insured, or the cash equivalent, upon such security as may be determined pursuant to section (b) of this section, and from purchasing the quantity of the commodity represented by any of such notes not paid at maturity. The restriction on the purchase and sale of the agricultural commodity provided in

this section shall be made a part of any crop insurance agreement made under this title. Notwithstanding any provision of this title, there shall be no limitation upon the legal or equitable remedies available to the insured to enforce against the Corporation the foregoing restriction with respect to purchases and sales of the agricultural commodity.

SEC. 504. (a) The Corporation shall have a capital stock of \$100,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the Corporation. [Any impairment of the capital stock described in this subsection shall be restored only out of operating profits of the Corporation.]

(b) There is hereby authorized to be appropriated [not more than \$100,000,000 for the purpose of subscribing to said stock. No part of such sum shall be available prior to July 1, 1938. The appropriation for such purpose for the fiscal year ending June 30, 1939, shall not exceed \$20,000,000 and shall be made only out of the unexpended balances for the fiscal year ending June 30, 1938, of the sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended.] *such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation.*

SEC. 505. (c) The Directors of the Corporation who are employed in the Department of Agriculture shall receive no additional compensation for their services as such Directors but may be allowed necessary traveling and subsistence expenses when engaged in business of the Corporation, outside of the District of Columbia. The members of the Board who are not employed by the Government shall be paid such compensation for their services as Directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed ["\$100"] *\$50* per day each when actually employed [and necessary traveling and subsistence expenses when engaged in] *and transportation expenses plus not to exceed \$10 per diem in lieu of subsistence expenses when on business of the Corporation away from their homes or regular places of business.*

SEC. 506. The Corporation—

(h) may conduct researches, surveys, and investigations relating to crop and livestock insurance and [preparatory to the application of the Act to other basic commodities when so provided by law, shall assemble data relative to field corn,] *shall assemble data for the purpose of establishing [a satisfactory] sound actuarial [basis] bases for [such commodity] insurance on agricultural commodities and livestock.*

SEC. 518. "Agricultural Commodity," as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) [(2)] of section 508 of this title, or any one or more of such commodities, as the context may indicate.

SEC. 507. [(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation, which appointments may be made without regard to the civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds. The appointment of officials and the selection of employees by the Secretary shall be made only on the basis of merit and efficiency.] *(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: Provided, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923 as amended.*

81ST CONGRESS
1ST SESSION

H. R. 3825

[Report No. 420]

IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1949

Mr. ABBITT introduced the following bill; which was referred to the Committee on Agriculture

APRIL 9, 1949

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Federal Crop Insurance Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection (a) of section 508 of the Federal Crop
4 Insurance Act, as amended, is amended to read as follows:
5 “(a) Commencing with crops planted for harvest in
6 1948, for the purpose of determining the most practical
7 plan, terms, and conditions of insurance for agricultural
8 commodities, if sufficient actuarial data are available, as
9 determined by the Board, to insure, or to reinsure insurers
10 of, producers of such agricultural commodities under any
11 plan or plans of insurance determined by the Board to be

1 adapted to any such commodity. Such insurance shall be
2 against loss of the insured commodity due to unavoidable
3 causes, including drought, flood, hail, wind, frost, winter-
4 kill, lightning, fire, excessive rain, snow, wildlife, hurricane,
5 tornado, insect infestation, plant disease, and such other
6 unavoidable causes as may be determined by the Board.
7 In 1948 insurance shall be limited to not more than seven
8 agricultural commodities (including wheat, cotton, flax,
9 corn, and tobacco) and to not more than three additional
10 agricultural commodities in each year thereafter: *Provided*,
11 That other agricultural commodities may be included in
12 multiple crop insurance (insurance on two or more agri-
13 cultural commodities under one contract with a producer).
14 Insurance shall be limited to producers in not to exceed two
15 hundred counties in the case of wheat, fifty-six counties in
16 the case of cotton, fifty counties each in the case of corn and
17 flax, thirty-five counties in the case of tobacco, twenty
18 counties in the case of any other agricultural commodity,
19 and, in addition, fifty counties in the case of multiple crop
20 insurance: *Provided further*, That, beginning with crops
21 planted for harvest in 1950, the number of counties for
22 insurance on wheat, cotton, corn, flax, and tobacco, and for
23 multiple crop insurance may be increased each year by
24 not in excess of 50 per centum of the number of counties
25 in which such insurance was provided the previous year

1 and the county limitations specified for other insurance may
2 be similarly increased as to any agricultural commodity after
3 insurance for such commodity has been provided for three
4 years. Reinsurance for private insurance companies shall
5 be limited to not to exceed twenty counties which may be
6 selected without regard to the other county limitations speci-
7 fied herein. Any insurance offered against loss in yield
8 shall not cover in excess of 75 per centum of the recorded
9 or appraised average yield of the commodity on the insured
10 farm for a representative period subject to such adjustments
11 as the Board may prescribe to the end that the average
12 yields fixed for farms in the same area, which are subject to
13 the same conditions, may be fair and just: *Provided further*,
14 That if 75 per centum of the average yield represents gen-
15 erally more protection than the investment in the crop in any
16 area, taking into consideration recognized farming practices,
17 the Board shall reduce such maximum percentage so as more
18 nearly to reflect the investment in the crop in such area.
19 Insurance provided under ~~the~~ *this* subsection shall not cover
20 losses due to the neglect or malfeasance of the producer,
21 or to the failure of the producer to reseed to the same crop
22 in areas and under circumstances where it is customary to
23 so reseed, or to the failure of the producer to follow estab-
24 lished good farming practices. Counties selected by the
25 Board shall be representative of the several areas where

1 the agricultural commodity insured is normally produced.
2 The Board may limit or refuse insurance in any county or
3 area, or on any farm, on the basis of the insurance risk
4 involved. Insurance shall not be provided in any county
5 unless written applications therefor are filed covering at
6 least two hundred farms or one-third of the farms normally
7 producing the agricultural commodity, excluding farms re-
8 fused insurance on the basis of the risk involved; nor shall
9 insurance on any agricultural commodity be provided in
10 any county in which the Board determines that the income
11 from such commodity constitutes an unimportant part of the
12 total agricultural income of the county. The Corporation
13 shall report annually to the Congress the results of its opera-
14 tions as to each commodity insured."

15 SEC. 2. Subsection (b) of section 508 of the Federal
16 Crop Insurance Act, as amended, is amended by striking
17 out the proviso in the second sentence and the colon which
18 precedes it and substituting a period therefor.

19 SEC. 3. Subsection (c) of section 508 of the Federal
20 Crop Insurance Act, as amended, is amended to read as
21 follows:

22 "(c) To adjust and pay claims for losses in the agri-
23 cultural commodity or in cash, under rules prescribed by the
24 Board: *Provided*, That indemnities may be determined on
25 the same price basis as premiums are determined for the

1 crop with respect to which such indemnities are paid. The
2 Corporation shall provide for the posting annually in each
3 county at the county courthouse of a list of indemnities paid
4 for losses on farms in such county. In the event that any
5 claim for indemnity under the provisions of this title is
6 denied by the Corporation, any action on such claim here-
7 after brought against the Corporation shall be brought in
8 the United States district court sitting in the district in which
9 the insured farm is located, and jurisdiction is hereby con-
10 ferred upon such district courts to determine such contro-
11 versies without regard to the amount in controversy: *Pro-*
12 *vided further,* That no such claim shall be allowed under
13 this section unless the same shall have been brought within
14 one year after the date when notice of denial of the claim is
15 mailed to and received by the claimant. *In the event that*
16 *any claim for indemnity under the provisions of this title*
17 *is denied by the Corporation, an action on such claim may*
18 *be brought against the Corporation in the United States dis-*
19 *trict court, or in any court of record of the State having*
20 *general jurisdiction, sitting in the district or county in which*
21 *the insured farm is located, and jurisdiction is hereby con-*
22 *ferred upon such district courts to determine such contro-*
23 *versies without regard to the amount in controversy: Pro-*
24 *vided, That no suit on such claim shall be allowed under*

1 *this section unless the same shall have been brought within*
2 *one year after the date when notice of denial of the claim*
3 *is mailed to and received by the claimant.”*

4 ~~SEC. 4. Subsection (e) of section 508 of the Federal~~
5 ~~Crop Insurance Act is hereby repealed.~~

6 SEC. ~~5~~ 4. Subsection (a) of section 504 of the Federal
7 Crop Insurance Act is amended by striking out the second
8 sentence thereof.

9 SEC. ~~6~~ 5. The Secretary of the Treasury is hereby
10 authorized and directed to cancel, without consideration, out-
11 standing receipts for payments for or on account of the stock
12 of the Corporation in excess of \$27,000,000.

13 SEC. ~~7~~ 6. Subsection (b) of section 504 of the Federal
14 Crop Insurance Act is amended to read as follows:

15 “(b) There is hereby authorized to be appropriated
16 such sums as are necessary for the purpose of subscribing
17 to the capital stock of the Corporation.”

18 SEC. ~~8~~ 7. Subsection (c) of section 505 of the Federal
19 Crop Insurance Act, as amended, is amended by striking out
20 the second sentence and inserting in lieu thereof the follow-
21 ing: “The members of the Board who are not employed by
22 the Government shall be paid such compensation for their
23 services as directors as the Secretary of Agriculture shall
24 determine, but such compensation shall not exceed ~~\$100~~ \$50
25 per day each when actually employed and transportation

1 expenses plus not to exceed \$10 per diem ~~for~~ *in lieu of*
 2 subsistence ~~and other~~ expenses when on business of the
 3 Corporation away from their homes or regular places of
 4 business.”

5 SEC. ~~9~~ 8. Subsection ~~(b)~~ *(h)* of section 506 of the
 6 Federal Crop Insurance Act, as amended, is amended to
 7 read as follows:

8 “(h) may conduct researches, surveys, and investi-
 9 gations relating to crop *and livestock* insurance and shall
 10 assemble data for the purpose of establishing sound
 11 actuarial bases for insurance on agricultural commodi-
 12 ties *and livestock*.”

13 SEC. ~~10~~ 9. Section 518 of the Federal Crop Insurance
 14 Act, as amended, is amended by striking therefrom the
 15 words “determined by the Board pursuant to subsection (a)
 16 (2) of section 508 of this title” and substituting therefor
 17 the words “determined by the Board pursuant to subsection
 18 (a) of section 508 of this title”.

19 SEC. 10. Subsection *(a)* of section 507 of the Federal
 20 Crop Insurance Act is amended to read as follows:

21 . “*(a) The Secretary shall appoint such officers and em-*
 22 *ployees as may be necessary for the transaction of the business*
 23 *of the Corporation pursuant to civil-service laws and regula-*
 24 *tions, fix their compensation in accordance with the provi-*
 25 *sions of the Classification Act of 1923, as amended, define*

1 *their authority and duties, delegate to them such of the powers*
2 *vested in the Corporation as he may determine, require bond*
3 *of such of them as he may designate, and fix the penalties and*
4 *pay the premiums of such bonds: Provided, That personnel*
5 *paid by the hour, day, or month when actually employed, and*
6 *county crop insurance committeemen may be appointed and*
7 *their compensation fixed without regard to civil-service laws*
8 *and regulations or the Classification Act of 1923, as*
9 *amended."*

81ST CONGRESS
1ST SESSION

H. R. 3825

[Report No. 420]

A BILL

To amend the Federal Crop Insurance Act.

By Mr. ARBITT

MARCH 25, 1949

Referred to the Committee on Agriculture

APRIL 9, 1949

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

the restoring to par value the amount of impairment, if any, of outstanding capital stock and of the guaranty fund, as determined by its board of directors; third, to establishing adequate reserves; fourth, at least 25 percent of such savings remaining shall be used to create and maintain any surplus accounts which shall be created after the effective date of the Banks for Farmers' Cooperative Act of 1948, until the sum of these new surplus accounts and the old surplus accounts on hand as of that date equal at least 25 percent of the sum of all outstanding class A, B, and C capital stock and any guaranty funds; fifth, to paying patronage refunds if declared by the board of directors.

"The patronage refunds of each regional bank for cooperatives shall be paid in class C stock to cooperative associations that were borrowers during the fiscal year for which the refunds are declared; patronage refunds of the Central Bank for Cooperatives shall be paid in class C stock to the regional banks for cooperatives; and that part of such refunds that was derived from the business of cooperative associations shall be evidenced by class C stock issued to such cooperative associations by any such regional bank for cooperatives. All patronage refunds shall be paid in the proportion that the amount of interest paid by a borrower bears to the total interest paid by all borrowers during the fiscal year.

"When the total of new and old surpluses of any regional bank for cooperatives or the Central Bank for Cooperatives exceeds 25 percent of the unimpaired sum of all its class A, B, and C stock outstanding and guaranty fund, an amount of the new surplus equal to such excess and any reserves deemed unnecessary for reserve purposes may be distributed in class C stock or guaranty-fund credits to the associations and regional banks for cooperatives, to which they are hereby required to be allocated on a patronage basis by fiscal years, if such action is authorized by the board of directors of the bank and approved by the Governor of the Farm Credit Administration. In the making of such distributions, the oldest outstanding allocations of new surpluses and reserves shall be distributed first.

"After the retirement of all class A stock at par, class C stock may be retired at par by calling the oldest outstanding class C stock and comparable guaranty-fund credits, but class C stock that was issued for a fiscal-year period shall not be called for retirement until all class B stock that was issued during or prior to that fiscal year has been called or an offer has been made for its retirement.

"In the case of liquidation or dissolution of any bank, after the payment, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par; fourth, of all class C stock or guaranty-fund credits at par; any surpluses and reserves which were on hand as of the effective date of the Banks for Farmers' Cooperatives Act of 1948 will be paid to the holders of class A, B, and C stock and comparable holders of guaranty-fund credits as of the date of liquidation or dissolution in the same proportions as distributions were made as of that date in the retirement of capital stock, and any other remaining surpluses and reserves shall be distributed on an equitable basis to those entities to which they were allocated. If necessary to use any surplus or reserves to pay any liabilities or to retire any capital stock, new surpluses and reserves shall be exhausted first."

SEC. 3. Section 31 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134g), is hereby amended to read as follows:

"The number of directors of the Central Bank for Cooperatives shall be seven. Of this number, two shall be elected by the cooperative associations determined by the bank to be eligible to vote, two shall be elect-

ed by the board of directors of the regional banks for cooperatives from among the members of the boards of directors of the twelve farm credit districts, two shall be appointed by the Governor of the Farm Credit Administration, and the Cooperative Bank Commissioner shall be an ex officio member and shall be chairman of the board of directors and its chief executive officer. Of the directors elected or appointed after the effective date of the Banks for Farmers' Cooperatives Act of 1948, one director in each of the three groups shall be elected or appointed for 1 year and one for 2 years, and thereafter each director shall be elected or appointed for a term of 3 years. The terms of the existing directors shall expire upon the appointment and election and qualification of directors chosen in accordance with this section. The board of directors of the Central Bank for Cooperatives shall have the power to adopt bylaws subject to the approval of the Governor of the Farm Credit Administration, and in addition to the duties herein provided such bylaws may prescribe other duties, responsibilities, and authorities of the board of directors. No compensation shall be paid any director as a director of the corporation, but the corporation, subject to the approval of the Governor, may allow directors a reasonable per diem and expenses."

SEC. 4. Section 32 of the Farm Credit Act of 1933, as amended (title 12, U. S. C., 1134h), is hereby repealed.

SEC. 5. Section 37 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 1134m), is hereby amended by substituting the word "paragraph" for the word "section" in the next to the last sentence thereof and by adding thereto the following new paragraph:

"Consolidated debentures may be issued by the Central Bank for Cooperatives for and on behalf of itself and the regional banks for cooperatives in the manner and form and on terms and conditions approved by the Governor of the Farm Credit Administration. Such debentures shall be made payable at the Central Bank for Cooperatives and may be made payable at any Federal Reserve bank or banks designated in the face of the debentures. They shall be the joint and several obligations of the Central Bank for Cooperatives and of the regional banks for cooperatives, and each of such banks is hereby authorized and directed to take such action as is necessary, to become obligated for such debentures. They may be unsecured or secured by collateral, with power of substitution, specified by the Governor of the Farm Credit Administration lodged with a custodian or custodians approved by the Governor. The total amount of such consolidated debentures which may be issued and outstanding at any time shall not exceed 10 times the capital and surplus of the central and regional banks for cooperatives. In order to furnish such consolidated debentures, the Secretary of the Treasury is hereby authorized to prepare suitable debentures in such form and denominations as the Governor of the Farm Credit Administration may prescribe, such debentures when prepared to be held in the Treasury subject to delivery upon order of the Governor of the Farm Credit Administration. The engraved plates, dies, bed-pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. Any expenses incurred in the preparation, custody, and delivery of such consolidated debentures shall be paid by the Secretary of the Treasury not otherwise appropriated: *Provided, however*, That the Secretary shall be reimbursed for such expenditures by the central and regional banks for cooperatives. Such consolidated debentures shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which

shall be under the authority or control of the United States or of any officer or officers thereof."

SEC. 6. Section 80 of the Farm Credit Act of 1933, as amended (title 12, U. S. C. 638), is hereby amended by adding a new subsection (c) as follows:

"(c) Notwithstanding any other provision of law, any officer or employee of the Farm Credit Administration or of the central or any regional bank for cooperatives designated to act as custodian of collateral securing loans made by any such bank to any cooperative association eligible to borrow therefrom may, with the approval of, and upon terms and conditions approved by the Farm Credit Administration, act at the same time as custodian of collateral securing loans made by any other lenders to any cooperative association eligible to borrow from any such bank."

SEC. 7. This act shall be known as the "Banks for Farmers' Cooperatives Act of 1948". That act shall be applicable to loans made before its effective date only from the date on which they are changed by agreement to conform thereto, otherwise such loans shall be treated as though that act had not been enacted. Any cooperative association having stock or guaranty fund credits in any bank for cooperatives on the effective date of this act shall be entitled to have such stock or credits retired as though this act had not been enacted, and any such association may have such stock, if it is found eligible to own class B or class C stock, converted in whole or in part into class B or class C stock: *Provided*, That any such stock which has not been retired or so converted within 90 days after the effective date of this act and which is not then required as the basis for an outstanding loan or loans shall then be converted to class C stock by the bank.

SEC. 8. This act shall take effect 60 days after its enactment.

With the following committee amendments:

Page 5, line 7, strike out the letter "s" in the word "funds."

Page 9, line 6, insert after the word "stock" the following: "or in guaranty fund credits."

Page 9, line 12, insert after the word "stock" the following: "or guaranty fund credits."

Page 9, line 12, insert after the word "issued" the following: "or made."

Page 12, line 17, strike out the word "Consolidated" and insert in lieu thereof the following: "When the Central Bank for Cooperatives and the Regional Banks for Cooperatives shall by resolutions consent to the same, consolidated."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CONVEYANCE OF CERTAIN LANDS TO CITY OF MARFA, TEX.

The Clerk called the bill (H. R. 1158) to provide for the conveyance by the United States to the city of Marfa, Tex., of certain lands formerly owned by that city.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the War Assets Administrator is authorized and directed to convey to the city of Marfa, Tex., all the right, title, and interest of the United States in and to all of those parcels of land (together with all improvements thereon) which were conveyed by the city of Marfa, Tex., to the United States of America by deed dated March 23, 1938, and recorded on April 25, 1938, in volume 105, pages 437 and 438, of the Deed Records of Presidio County, Tex.

With the following committee amendment:

Page 1, line 6, after "land", strike out "(together with all improvements thereon)."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FORT BROWN, BROWNSVILLE, TEX.

The Clerk called the bill (H. R. 1338) authorizing the transfer to the United States section, International Boundary and Water Commission, by the War Assets Administration of a portion of Fort Brown at Brownsville, Tex., and adjacent borrow area, without exchange of funds or reimbursement.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the United States section, International Boundary and Water Commission, United States and Mexico, is hereby authorized to accept by transfer without reimbursement or exchange of funds, and to assume permanent custody and control over, in connection with the lower Rio Grande flood-control project under the jurisdiction of said United States section, that portion of Fort Brown at Brownsville, Tex., and adjacent borrow area, described as follows:

Tract, 1, Fort Brown.—A tract containing two hundred and forty-one and six one-hundredths acres in the Espiritu Santo grant in Cameron County, Tex., out of and a part of the Fort Brown military reservation as shown on map recorded in volume 8, page 23, of the map records of Cameron County, Tex.

Tract, 2, Borrow Area.—A tract containing seventeen and four-tenths acres in share No. 19 of the Espiritu Santo grant, Cameron County, Tex., conveyed to the United States of America by deed from Carrie M. Combe, individually and as independent executrix of the estate of Frederick J. Combe, deceased, recorded in volume 322, page 352, of the deed records of Cameron County, Tex.; both of said tracts being shown on drawing No. 4311-RC-12, San Benito, Tex., January 15, 1947, of the International Boundary and Water Commission, United States and Mexico, United States section, designated "Flood Control Project—Lower Rio Grande, Tex.—Fort Brown Military Reservation", and on field notes attached thereto, which drawing and field notes are on file with said United States section and with the War Assets Administration, said property having heretofore been declared surplus to the War Assets Administration; and the War Assets Administration, or other Federal agency in responsible charge, is authorized and directed to transfer said property to the said United States section without reimbursement or exchange of funds.

SEC. 2. There shall likewise be transferred to said United States section, in connection with the transfer of said land, that certain building thereon situate, known and numbered as warehouse building 252.

SEC. 3. The improvements on said land, except warehouse building 252, may be sold by the War Assets Administration under its existing authority, for use on the premises where now situated, subjected to the provision that such use shall be in conformity with the terms and conditions of licenses to be issued therefor by the Secretary of State under the authority of the Act of August 27, 1935 (49 Stat. 906; 22 U. S. C., sec. 277e): *Provided*, That such licenses shall not be inconsistent with the primary purpose of flood control and the use of said land as a floodway, as determined by the Secretary of State. Any such improvements not sold for

use on the premises may be sold by the War Assets Administration for removal from the premises within 1 year from the date of sale. To the extent that any such improvements are not sold under the provisions hereof within a period of 1 year from the effective date of this act, title thereto shall remain in the United States, and jurisdiction and control thereover shall vest in the said United States section.

SEC. 4. The Secretary of State shall, in order to assure beneficial public use of this land not inconsistent with the primary purpose of flood control, grant a license or licenses to the city of Brownsville, Tex., under the authority of the Act of August 27, 1935, to use portions of the lands transferred to the United States section under this act for municipal parks, golf course, museums, athletic fields, including stadiums, and other public purposes not inconsistent with the primary purpose of flood control and with the use of said land as a floodway, as determined by the Secretary of State and subject to such terms and conditions as may, in the opinion of the Secretary of State, be necessary to protect the interests of the United States: *Provided*, That application is made by the city of Brownsville for such license or licenses within a period of 1 year from the effective date of this Act: *Provided further*, That such license or licenses shall not be inconsistent with those granted under section 3 hereof for the use of the improvements therein specified: *Provided further*, That except for this provision granting to the city of Brownsville a preferential right for 1 year to be granted a license or licenses, nothing in this section shall be construed as modifying or impairing the authority of the Secretary of State over said lands under said act of August 27, 1935.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDMENT OF RECLAMATION PROJECT ACT OF 1939

The Clerk called the bill (H. R. 1770) to amend the Reclamation Project Act of 1939, and for other purposes.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. POULSON. I object, Mr. Speaker.

NATIONAL SURVEY OF FOREST RESOURCES

The Clerk called the bill (H. R. 2001) to amend section 9 of the act of May 22, 1928, as amended, authorizing and directing a national survey of forest resources.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

Mr. DEANE. Reserving the right to object, Mr. Speaker, it appears that this bill would increase the authorization for this purpose to a total of \$1,000,000 per year. It is the policy of the objectors committee that bills carrying authorizations of this amount be passed over. This is a very meritorious piece of legislation, however, and I should like to have an explanation of the bill.

Mr. GRANGER. This is a very important piece of legislation, concerning which there has been a great deal of interest shown by the Members of the House. It is simply an authorization to permit an inventory to be taken of the timber resources of the United States, not only to make the initial surveys but to keep them up to date so that the country

will know exactly what timber resources it has. It covers both private and public forest resources throughout the entire country. I think it is a very meritorious bill and should be passed.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. DEANE: I yield to the gentleman from Ohio.

Mr. JENKINS. Is not this bill simply a business proposition?

Mr. GRANGER. Absolutely.

Mr. JENKINS. If it is not passed, business cannot be conducted properly?

Mr. GRANGER. That is right.

Mr. DEANE. Further reserving the right to object, Mr. Speaker, may I inquire if the committee reported this bill unanimously?

Mr. COOLEY. The bill was unanimously approved by the committee.

Mr. GRANGER. I understood there was one objection to the bill, but it did have the very general support of the committee.

Mr. DEANE. I withdraw my reservation of objection, Mr. Speaker.

Mr. BYRNES of Wisconsin. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

CROP INSURANCE

The Clerk called the bill (H. R. 3825) to amend the Federal Crop Insurance Act.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

Mr. RICH. Mr. Speaker, reserving the right to object, this bill does a great deal, a great deal which the Members of Congress should not permit at this time. This bill should first be brought up in the regular way and discussed thoroughly from A to Z. In the report you will notice it is pointed out that during the hearings on the bill a representative of the General Accounting Office appeared at the invitation of the committee and stated that the GAO recommended the enactment of the provisions in the bill relating to the cancellation of the \$75,000,000 deficit of the corporation incurred prior to 1948. They have gone in the red and now they want you to cancel a \$75,000,000 deficit. The bill includes a great many more agricultural products. It was set up a year or so ago for experimental purposes. But they do not want to restrict it to experimental purposes. They want to come in here now and start the ball rolling all over again and I say it is time that it was cut out.

Therefore, Mr. Speaker, I must object.

SURPLUS AIRPORT PROPERTY

The Clerk called the bill (H. R. 3851) to amend Public Law 289, Eightieth Congress, with respect to surplus airport property and to provide for the transfer of compliance functions with relation to such property.

The SPEAKER pro tempore. Is there objection to the present consideration of the bill?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, I

CONSIDERATION OF H. R. 3825

MAY 16, 1949.—Referred to the House Calendar and ordered to be printed

Mr. McSWEENEY, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 212]

The Committee on Rules, having had under consideration House Resolution 212, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 56

81ST CONGRESS
1ST SESSION

H. RES. 212

[Report No. 585]

IN THE HOUSE OF REPRESENTATIVES

MAY 16, 1949

Mr. McSWEENEY, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That immediately upon the adoption of this
2 resolution it shall be in order to move that the House
3 resolve itself into the Committee of the Whole House on
4 the State of the Union for the consideration of the bill
5 (H. R. 3825) to amend the Federal Crop Insurance Act.
6 That after general debate, which shall be confined to the
7 bill and continue not to exceed two hours, to be equally
8 divided and controlled by the chairman and the ranking
9 minority member of the Committee on Agriculture, the bill
10 shall be read for amendment under the five-minute rule.
11 At the conclusion of the consideration of the bill for amend-
12 ment, the Committee shall rise and report the bill to the

- 1 House with such amendments as may have been adopted
2 and the previous question shall be considered as ordered on
3 the bill and amendments thereto to final passage without
4 intervening motion except one motion to recommit.

House Calendar No. 56

81ST CONGRESS
1ST SESSION

H. RES. 212

[Report No. 585]

RESOLUTION

Providing for the consideration of the bill
(H. R. 3825) to amend the Federal Crop
Insurance Act.

By Mr. McSWENNEY

MAY 16, 1949

Referred to the House Calendar and ordered to be
printed

Mr. JENSEN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER pro tempore. The gentleman will state it.

Mr. JENSEN. The gentleman from Montana [Mr. D'Ewart] has just explained to me the bill H. R. 1922, which I asked go over without prejudice. I ask that we return to consider it.

The SPEAKER pro tempore. The Chair suggests that the gentleman wait until the conclusion of the call of the calendar when the gentleman may submit his request.

AMENDMENT OF FEDERAL CROP INSURANCE ACT

The Clerk called the bill (H. R. 3825) to amend the Federal Crop Insurance Act.

Mr. HERTER. Mr. Speaker, I understand that a rule has just been granted on this bill, and that it will come up for consideration under the rule. There may be amendments to be offered. I therefore ask that this bill may be passed over without prejudice.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

SURPLUS AIRPORT PROPERTY

The Clerk called the bill (H. R. 3851) to amend Public Law 289, Eightieth Congress, with respect to surplus airport property and to provide for the transfer of compliance functions with relation to such property.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 13 (g) (2) (A) of the Surplus Property Act of 1944, as amended, is further amended by striking out the following: "Provided, That no structures disposed of hereunder shall be used as an industrial plant, factory, or similar facility within the meaning of section 23 of this Act, unless the public agency receiving title to such structures shall pay to the United States such sum as the Administrator shall determine to be a fair consideration for the removal of the restriction imposed by this proviso."

SEC. 2. Notwithstanding any other provision of law, the restriction against use of structures for industrial purposes, as contained in any deed or instrument of disposal pursuant to section 13 (g) (2) (A) of the Surplus Property Act of 1944 (58 Stat. 765), as amended by the act of July 30, 1947 (61 Stat. 678), shall, from and after the effective date of this act, be deemed extinguished and of no force and effect. The Administrator of Civil Aeronautics is hereby authorized to issue such instruments of release or correction, as may be necessary to effect removal of record of such restriction from any of such deeds or other instruments of disposal, without monetary consideration to the United States.

SEC. 3. The Administrator of Civil Aeronautics shall have the sole responsibility for determining and enforcing compliance with the terms, conditions, reservations, and restrictions contained in any instrument of disposal by which surplus property is or has been transferred to States and their political subdivisions, municipalities, and tax-supported institutions pursuant to the Surplus Property Act of 1944, for use in the development, improvement, operation, or maintenance of a public airport or to provide sources of revenue from nonaviation businesses at a public airport (including property transferred for any such use pursuant to such act prior

to July 30, 1947), and the Administrator is authorized to reform, correct, or amend any instrument of disposal by which such property was conveyed by the issuance of a corrective, reformatory, or amendatory instrument where such action is determined by him to be necessary to correct such instrument or to conform the transfer to the requirements of applicable law.

SEC. 4. Notwithstanding any other provision of law, the Administrator of Civil Aeronautics is further authorized, without monetary consideration to the United States, to grant releases from any of the terms, conditions, reservations, and restrictions contained in, and to convey, quitclaim, or release any right or interest reserved to the United States by, any such instrument of disposal, if he determines that the property transferred by such instrument no longer serves the purpose for which it was transferred, or that such release, conveyance, or quitclaim will not prevent accomplishment of the purpose for which the property was transferred and is necessary to protect or advance the interests of the United States in civil aviation: *Provided*, That any such release, conveyance, or quitclaim may be granted on, or made subject to, such terms and conditions as the Administrator of Civil Aeronautics deems necessary to protect or advance the interest of the United States in civil aviation.

SEC. 5. Paragraph 4 of subsection 13 (g) of the Surplus Property Act of 1944, as amended, is repealed.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING THE WAR CLAIMS ACT OF 1948

The Clerk called the bill (S. 326) to amend the War Claims Act of 1948.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the War Claims Act of 1948 (62 Stat. 1240) is amended in the following respects:

1. The last sentence of section 2 (c) is amended to read as follows: "The limit of time within which claims may be filed with the Commission shall in no event be later than March 1, 1951."

2. Section 8 (a) is amended by striking out the words "March 31, 1949" and inserting in lieu thereof "January 15, 1950."

With the following committee amendment:

Page 1, line 10, strike out "January 15" and insert "March 31."

The committee amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CERTIFICATION OF CERTAIN DRUGS

The Clerk called the bill (H. R. 3151) to amend the Federal Food, Drug, and Cosmetic Act of June 25, 1938, as amended, by providing for the certification of batches of drugs composed wholly or partly of any kind of aureomycin, chloramphenicol, and bacitracin, or any derivative thereof.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 502 (1) of the Federal Food, Drug, and Cosmetic Act of June 25, 1938, as amended (U. S. C., 1946 ed., title 21, ch. 9), is amended by deleting the word "or" preceding the word "streptomycin" and inserting in lieu thereof a comma

and by inserting after the word "streptomycin" the following: "aureomycin, chloramphenicol, or bacitracin."

SEC. 2. (a) The heading of section 507 of such act, as amended, is amended by deleting the word "or" preceding the word "streptomycin" and inserting in lieu thereof a comma and by adding at the end of such heading the following: "aureomycin, chloramphenicol, or bacitracin".

(b) The first sentence of subsection (a) of such section 507 is amended by deleting the word "or" preceding the word "streptomycin" and inserting in lieu thereof a comma and by inserting after the word "streptomycin" the following: "aureomycin, chloramphenicol, or bacitracin".

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

REGULATING THE HOURS OF DUTY AND PAY ON CERTAIN LIGHTSHIPS AND COAST GUARD VESSELS

The Clerk called the bill (H. R. 4471) to regulate the hours of duty and the pay of civilian keepers of lighthouses and civilians employed on lightships and other vessels of the Coast Guard.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That, notwithstanding any other provision of law, the civil service classification laws and titles II and III of the Federal Employees Pay Act of 1945 shall not apply to civilian keepers of lighthouses and to civilians employed on lightships and other vessels of the Coast Guard.

SEC. 2. Under regulations prescribed by the Secretary of the Treasury, the Coast Guard may prescribe the hours of duty and the pay of civilian keepers of lighthouses and civilians employed on lightships and other vessels of the Coast Guard, but such personnel may be called upon for duty in emergency circumstances or otherwise at any time or all times. The existing system governing the pay of such employees may be continued or changed except that overtime compensation, night differential, and extra pay for duty on holidays shall not be paid to such employees. In lieu thereof additional annual compensation may be authorized, which may be prescribed either as a fixed differential or as a percentage of the basic compensation otherwise applicable to such employees. In no case shall basic compensation exceed \$3,750 per annum, except that nothing contained in this act shall operate to decrease the basic compensation of any person employed by the Coast Guard on the date of enactment of this act, and in no case shall additions thereto exceed 25 percent of such basic compensation. Provision may be made for compensatory absence from duty when conditions of employment result in confinement because of isolation or in long periods of continuous duty; and provisions may likewise be made for extra allowance for service outside of the continental limits of the United States.

SEC. 3. The additional compensation authorized herein shall be included in any computation of compensation for purposes of the Lighthouse Service Retirement Act.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SCHOOLS OPERATED BY THE BUREAU OF INDIAN AFFAIRS

The Clerk called the bill (H. R. 3881) to provide for the use of the State course

of study in schools operated by the Bureau of Indian Affairs upon petition therefor.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That on and after July 1, 1950, the course of study taught in any school operated and maintained by the Bureau of Indian Affairs shall, upon petition by a majority of the parents of children enrolled therein, conform to the course prescribed by the department of public instruction for the public schools of the State in which said Indian school is located.

With the following committee amendment:

Strike out all after the enacting clause and insert the following: "That on and after July 1, 1950, the course of study taught in any school operated and maintained by the Bureau of Indian Affairs on any Indian reservation in the State of South Dakota shall, upon a majority decision of the parents of children enrolled therein voting at a meeting called for that purpose by the superintendent of the reservation, meet the minimum education requirements prescribed by the department of public instruction for the public schools of that State."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

The title was amended so as to read: "A bill to provide for the use of the State course of study in schools operated by the Bureau of Indian Affairs on Indian reservation in South Dakota when requested by a majority vote of the parents of the students enrolled therein."

A motion to reconsider was laid on the table.

INCREASES OF COMPENSATION FOR CERTAIN VETERANS WITH SERVICE-CONNECTED DISABILITIES WHO HAVE DEPENDENTS

The Clerk called the bill (H. R. 2108) to amend the act entitled "An act to provide increases of compensation for certain veterans with service-connected disabilities who have dependents" to define the term "wife" to include "dependent husband."

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 4 of the act of July 2, 1948 (Public Law 877, 80th Cong.; 62 Stat. 805), is amended by striking out the period at the end and inserting in lieu thereof a colon and adding the following proviso: "Provided, That the term 'wife' as used in this act shall include 'dependent husband.'"

SEC. 2. This act shall take effect on the first day of the second calendar month next succeeding its enactment.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AUTHORIZING THE ADMINISTRATOR OF VETERANS' AFFAIRS TO RECONVEY TO THE HELENA CHAMBER OF COMMERCE CERTAIN LAND

The Clerk called the bill (S. 460) to authorize the Administrator of Veterans' Affairs to reconvey to the Helena Chamber of Commerce certain described parcels

of land situated in the city of Helena, Mont.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Administrator of Veterans' Affairs is authorized to reconvey by quitclaim deed to the Helena Chamber of Commerce, a corporation, two parcels of land in Helena, Mont., commonly designated as lot numbered 10 and the south 55 feet of lot numbered 9 of the Henry Thompson placer mining claim in Lewis and Clark County, Mont., which parcels were conveyed to the United States of America by the Helena Chamber of Commerce by deed dated February 7, 1947, and recorded among the land records of said county, in Book 140 of Deeds at page 63.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CLARIFYING PROVISIONS OF SECTION 602 (U) OF THE NATIONAL SERVICE LIFE INSURANCE ACT OF 1940, AS AMENDED

The Clerk called the bill (S. 461) to clarify the provisions of section 602 (u) of the National Service Life Insurance Act of 1940, as amended.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 602 (u) of the National Service Life Insurance Act of 1940, as amended, as added by section 9 of the act of August 1, 1946 (60 Stat. 786; 38 U. S. C. 802 (u)), is hereby amended to read as follows:

"(u) With respect to insurance maturing on or subsequent to the date of enactment of the Insurance Act of 1946, in any case in which the beneficiary is entitled to a lump-sum settlement but elects some other mode of settlement and dies before receiving all the benefits due and payable under such mode of settlement, the present value of the remaining unpaid amount shall be payable to the estate of the beneficiary; and in any case in which no beneficiary is designated by the insured, or the designated beneficiary does not survive the insured, or a designated beneficiary not entitled to a lump-sum settlement survives the insured, and dies before receiving all the benefits due and payable, the commuted value of the remaining unpaid insurance (whether accrued or not) shall be paid in one sum to the estate of the insured: *Provided*, That in no event shall there be any payment to the estate of the insured or of the beneficiary of any sums unless it is shown that any sums paid will not escheat."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EMPLOYEES OF THE VETERANS' CANTEN SERVICE

The Clerk called the bill (S. 1185) to provide that all employees of the Veterans' Canteen Service shall be paid from funds of the Service, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That subsections (d) and (e) of section 2 of the act of August 7, 1946 (60 Stat. 888, 38 U. S. C. 13a), are amended to read as follows:

"(d) To transfer to the Service without charge, rental, or reimbursement such neces-

sary equipment as may not be needed for other purposes, and furnish the Service such services and utilities, including light, water, and heat, as may be available and necessary for its use: *Provided*, That reasonable charges to be determined by the Administrator, shall be paid annually by the Service for the utilities so furnished.

"(e) To employ such persons as are necessary for the establishment, maintenance, and operation of the Service, and to pay the salaries, wages, and expenses of all such employees from the funds of the Service. Such personnel shall be excluded from the determinations and reports required by section 607 of the Federal Employees Pay Act of 1945, as amended (5 U. S. C. 947), with respect to personnel ceilings. Personnel necessary for the transaction of the business of the Service at canteens, warehouses, and storage depots shall be appointed, compensated from funds of the Service, and removed by the Administrator without regard to civil-service laws and the Classification Act of 1923, as amended: *Provided*, That such employees shall be subject to the Veterans' Preference Act of 1944, the Civil Service Retirement Acts, and laws administered by the Bureau of Employees Compensation applicable to civilian employees of the United States."

SEC. 2. Section 2 of the act of August 7, 1946 (60 Stat. 888, 38 U. S. C. 13a), is amended by adding a new subsection (k) at the end thereof as follows:

"(k) To authorize the use of funds of the Service when available, subject to such regulations as he may deem appropriate, and without regard to the provisions of sections 3639 and 3651, Revised Statutes of the United States, as amended (31 U. S. C. 521, 543), for the purpose of cashing checks, money orders, and similar instruments in nominal amounts for the payment of money presented by veterans hospitalized or domiciled at hospitals and homes of the Veterans' Administration, and by other persons authorized by section 3 of this act to make purchases at canteens. Such checks, money orders, and other similar instruments may be cashed outright or may be accepted, subject to strict administrative controls, in payment for merchandise or services, and the difference between the amount of the purchase and the amount of the tendered instrument refunded in cash."

SEC. 3. Section 4 of the act of August 7, 1946 (60 Stat. 889, 38 U. S. C. 13c), is amended to read as follows:

"SEC. 4. To finance the establishment, maintenance, and operation of the Service there is hereby authorized to be appropriated from time to time such amounts as are necessary to provide for (a) the acquisition of necessary furniture, furnishings, fixtures, and equipment for the establishment, maintenance, and operation of canteens, warehouses, and storage depots; (b) stocks of merchandise and supplies for canteens and reserve stocks of same in warehouses and storage depots; (c) salaries, wages, and expenses of all employees; (d) administrative and operation expenses and premiums on fidelity bonds of employees; and (e) adequate working capital for each canteen and for the Service as a whole. Amounts heretofore or hereafter appropriated under the authority contained in this act, as amended, and all income from canteen operations become and will be administered as a revolving fund to effectuate the provisions of this act, as amended."

SEC. 4. The provisions of this act shall take effect on the 1st day of July 1949.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

essary that both schools shall be used for that purpose?

Mr. KERR. This amount is required by law. We agreed with the Senate in the amount we put in.

Mr. PHILLIPS of California. The question is, Is it not a waste of money as long as the school presently in use at Arlington, near Riverside, Calif., is adequate? Is that school not to be used or is it to be discontinued?

Mr. KERR. The distribution of the funds did not enter into the picture at all.

Mr. PHILLIPS of California. Does the gentleman mean the committee just put \$3,500,000 in the bill without any discussion of it?

Mr. KERR. That was the need determined from the evidence and that is the amount that we gave them.

Mr. PHILLIPS of California. The gentleman has not yet answered my question. Perhaps he did not understand me. The gentleman is saying, in effect, that this item was put in without any discussion as to the need of it. Ordinarily, that is not the way we spend \$3,500,000.

Mr. RABAUT. No; and that is not the way we spend it here, either.

Mr. PHILLIPS of California. I am glad to hear that.

Mr. RABAUT. The first thing is, the gentleman is talking about something that is not in this bill. What we are talking about is what is listed on line 19, page 21. For this item we gave \$3,750,000. We gave it under provision of law which was recently passed by both Houses. What the gentleman is talking about does not come in this bill, and we know nothing about that.

Mr. PHILLIPS of California. No. The gentleman still has not answered my question.

Mr. RABAUT. I have answered as much as I can understand what you are talking about.

Mr. PHILLIPS of California. May I make it a little clearer. It is probably my fault. This says that \$3,750,000 is to be expended to convert Bushnell Hospital in Utah for school purposes.

Mr. RABAUT. That is right.

Mr. PHILLIPS of California. I am advised that the school purpose is for the education of Navajo Indian children.

Mr. RABAUT. That is correct.

Mr. PHILLIPS of California. Therefore, I am asking what has happened to the program which presently educates these Navajo Indian children at the school near Riverside, Calif., which up to this time has been adequate for their education, and which would therefore seem to me to be a wasteful appropriation.

Mr. RABAUT. There is no reference at all to this other project that the gentleman is talking about in this bill. This comes with the budget estimate that was approved by the budget and was recognized by both bodies of Congress. Both bodies of Congress passed it and this is the appropriation for the project. What happened to the other project evidently did not concern the budget at the time. Whether they need additional facilities and are going to discontinue the other

facilities, I do not know. Something will be done with it, but this project was proven to everybody concerned—proven in the House, proven in the Senate, proven before the Bureau of the Budget, and finally passed and brought up in the form of this appropriation at this time.

Mr. PHILLIPS of California. Then I respectfully point out to the gentleman that I am right when I say that the conferees put into the bill an item of \$3,750,000 without knowing what it was all about.

Mr. RABAUT. Well, I would say to the gentleman that variety of opinions makes horse races.

Mr. PHILLIPS of California. Well, it is a fairly expensive horse race.

Mr. RABAUT. Well, it may be a fairly expensive horse race, but there is evidently an attempt here to embarrass—to talk about something that is not in this bill. There are numerous Indian schools, but only one in this bill.

Mr. PHILLIPS of California. There is no attempt to embarrass.

Mr. RABAUT. There cannot be any other attempt.

Mr. PHILLIPS of California. There is a very definite attempt, if the gentleman please, to find why there is \$3,750,000 added to this bill without knowing, apparently, that other money was being spent for that purpose, adequately, in another school. If that be embarrassment, then I hope for the sake of the taxpayers there will be more embarrassment of that kind every day we are in session.

Mr. RABAUT. That is the answer.

Mr. PHILLIPS of California. I thank the gentleman.

Mr. RABAUT. Further for the gentleman's information, if he wishes—

Mr. PHILLIPS of California. Yes; I would thank the gentleman for it.

Mr. RABAUT. There are 5,000 of these Indians now in school, yet 20,000 should be in school. From those facts the gentleman might figure that it is an additional needed facility and accordingly provided.

Mr. PHILLIPS of California. I thank the gentleman. It is a very interesting explanation.

CALL OF THE HOUSE

Mr. CHURCH. Mr. Speaker, I make the point of order that a quorum is not present. The people are against excessive expenditure, I found out during the week; and I make the point of no quorum if we are going to talk about a \$3,750,000 item with no chance to vote against it.

The SPEAKER. The gentleman is out of order. He has already made the point that a quorum is not present. If he takes himself off the floor, that is his business.

Evidently no quorum is present.

Mr. KERR. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 95]

Auchincloss	Barrett, Pa.	Boggs, La.
Bailey	Bates, Mass.	Boiton, Ohio
Barden	Beall	Bonner
Baring	Blemiller	Bosone

Buchanan	Halleck	Polk
Buckley, N. Y.	Hart	Potter
Burnside	Hedrick	Powell
Burton	Heffernan	Quinn
Byrne, N. Y.	Heller	Rains
Canfield	Hobbs	Reed, Ill.
Carroll	Hull	Regan
Celler	Irving	Ribicoff
Chatham	Jackson, Calif.	Rich
Chiferfield	Kearney	Sadlak
Chudoff	Keogh	Sadowski
Clevenger	Kilburn	St. George
Cooley	Klein	Scott,
Corbett	Latham	Hugh D., Jr.
Cotton	Lichtenwalter	Shafer
Coudert	Lind	Short
Crosser	McMillen, Ill.	Sikes
Davenport	Macy	Smathers
Dawson	Madden	Smith, Ohio
Delaney	Mahon	Smith, Va.
Dingell	Marcantonio	Stanley
Donohue	Marrow	Tauriello
Douglas	Miller, Nebr.	Taylor
Fernandez	Morton	Thomas, N. J.
Flood	Multer	Thomas, Tex.
Fogarty	Murphy	Underwood
Fulton	Murray, Wis.	Vinson
Garmatz	Norblad	Vorys
Gilmer	O'Neill	Vursell
Golden	O'Toole	Walsh
Gorski, Ill.	Passman	Welchel
Granger	Patterson	Werdel
Green	Pfeifer	Whitaker
Gregory	Joseph L.	Wilson, Ind.
Gwinn	Pfeiffer	Wood
Hall	William, L.	Young
Edwin Arthur Philbin		Zablocki

The SPEAKER. Three hundred and nine Members have answered to their names; a quorum is present.

By unanimous consent, further proceedings under the call were dispensed with.

MINORITY VIEWS

Mr. COLE of Kansas. Mr. Speaker, on behalf of my colleague, the gentleman from Ohio [Mr. SMITH], I ask unanimous consent that he may file minority views on the bill H. R. 4009.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

EXTENSION OF REMARKS

Mr. MICHENER (at the request of Mr. TABER) was granted permission to extend his remarks in the RECORD and include an editorial.

Mr. EVINS asked and was granted permission to extend his remarks in the RECORD and include a resolution by the State of Tennessee.

Mr. ROONEY asked and was granted permission to extend his remarks in the Appendix and include a speech he delivered on yesterday.

Mr. SHEPPARD asked and was granted permission to extend his remarks in the RECORD and include a newspaper article.

Mr. SHEPPARD asked and was granted permission to extend his remarks in the RECORD and include the remarks of Mr. Tony Siminoff.

FEDERAL CROP INSURANCE ACT

Mr. McSWEENEY, from the Committee on Rules, submitted the following resolution (H. Res. 212) on the bill (H. R. 3825) to amend the Federal Crop Insurance Act, which was referred to the House Calendar and ordered printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3825) to amend the Federal Crop Insurance Act. That after general debate,

which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

**FIRST DEFICIENCY APPROPRIATION BILL,
1949**

Mr. KERR. Mr. Speaker, does the gentleman from New York [Mr. TABER] desire some time on this conference report?

Mr. TABER. Yes; I would like 10 minutes, if I may have it.

Mr. KERR. Mr. Speaker; I yield 10 minutes to the gentleman from New York.

Mr. TABER. Mr. Speaker, in this report there are two or three things that I feel I should call attention to.

The language with reference to the Mike Straus and Boke proposition which the House carried was stricken out by the Senate, and the conferees yielded to the Senate and left it out. So that the Interior Department appropriation bill which was passed a year ago still stands, and the prohibition against paying a salary after January 31 to anyone who is not a licensed engineer in the capacity of Commissioner of Reclamation or in the capacity of chief engineer of the Central Valley Authority continues as it was.

There is another item that I think I should call attention to. The amendment is in disagreement, but it will be offered for agreement in a motion made by the committee increasing the appropriation for the Unemployment Insurance Administration from \$10,000,000 to \$14,000,000. It will be remembered that the House voted on a motion to recommit on just that proposition offered by the gentleman from Connecticut [Mr. SADLAK] and the House refused to do so. It was manifest at that time that it was necessary that we do it.

There is an item that has been referred to by the gentleman from California [Mr. PHILLIPS], providing \$3,750,000 for the conversion of a hospital at Brigham City, Utah, into an Indian school for Navajos. Frankly, no one in the conference committee, in my opinion, knew anything about the school at Riverside, Calif., at the time that item was under consideration. For my own part, I felt it was a very liberal amount to provide for the conversion of a hospital into a school; in other words, it was a hospital with 4,000 beds and they wanted \$3,750,000 to convert it into a school for 2,000 boarding pupils. That sounded like a very liberal amount, and I felt that it was too much money; but, be that as it may, the conferees did not have before them the question as to whether or not there was an adequate facility at Riverside, Calif. There was a story of a boarding school on the Navajo reservation that did not meet the situa-

tion, and that is all we were presented with.

The situation does not turn out to be the way it was presented to the committee. What the House wants to do about it I do not know. What the situation is with reference to the Riverside school, I do not know. It would be up to the House, however, to pass on it.

There are a lot of other items in disagreement that will have to be acted on by a separate vote of the House.

The committee is in agreement as to what shall be done with those individual items. I think that is all I care to say at this time.

Mr. PHILLIPS of California. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from California.

Mr. PHILLIPS of California. I thank the gentleman from New York. This was the situation which brought about, apparently, the request for a quorum call, as the gentleman from New York knows: Here we have a bill of considerable magnitude confronting the taxpayers of the country and in it are several items which should have careful consideration.

My attitude about the Indian school item is simply that when you have \$3,750,000 in a bill somebody ought to be able to say what it is for and whether there is any conflict with any money being spent elsewhere; so I raised the question, as the gentleman from New York knows, and has said. We have at Riverside, Calif., a school called the Sherman Institution which presently is taking care of Navajo children, educating Navajo children; and I asked whether, in reequipping the Bushnell Hospital and making it a boarding school for approximately 2,000 children, the Riverside school was to be closed or if we were to use both schools. I thought that was a very simple question, but I was unable to get an answer. I have, during the course of the roll call, been able to call the Indian service and find out that it is not the intention to close the school in California but to use both schools. That should have been a simple reply to a question put to the majority members of the committee whom I was asking. I thought that was a desirable thing to do when we were dealing with three and three-quarters millions. The taxpayers are entitled to know.

I raise this additional question with the gentleman from New York: If we have a hospital that has 4,000 beds and we are making it over into a school to take care of 2,000 Navajo Indian children and the amount involved is \$3,750,000 which we are spending for it, it means that for every child we are spending \$1,875. Does it not seem to the gentleman from New York that that is a rather large amount to spend on a hospital, already equipped, to make it over into a school for Indian children? That is almost \$2,000 a child for the cost of reconverting from a hospital, already equipped with facilities such as kitchens and other most expensive things in the school. This is simply the conversion of a building. It is already built. It is already equipped. Does it not seem to

the gentleman from New York that that is a rather large amount? May I ask also, what discussion was there of this amount in the conference committee?

Mr. TABER. I felt that amount was too elaborate and I said so. I feel that way now, but I did not know about this other school at Riverside.

The SPEAKER pro tempore. The time of the gentleman from New York has expired.

Mr. KERR. Mr. Speaker, I yield the gentleman two additional minutes.

Mr. JENSEN. Mr. Speaker, will the gentleman yield?

Mr. TABER. I yield to the gentleman from Iowa.

Mr. JENSEN. Has this matter ever gone through a legislative committee? Have we ever had any hearings on it?

Mr. TABER. There has been a legislative bill authorizing an appropriation of this \$3,750,000; yes.

Mr. JENSEN. The fact is we need hospitals for Indians in that particular Navajo area, we also need schools; but, certainly, when we convert a hospital to a school at this terrific amount, it just does not make sense.

Mr. TABER. Frankly, I thought it was too big a figure and I think so now.

Mr. JENSEN. I would say that if we were spending this amount possibly to increase the size of the hospital for Indian people it might be justified because of the fact that we do need hospitals for the Indians out in that area.

Mr. TABER. The hospital has been closed for 2 years now and has been out of use. It is proposed now to take it and convert it into a school.

Mr. JENSEN. It would be much more to the point to take this money and build a school close to the Navajo and Hopi Reservations than to build hospital facilities away from the Indian reservation, a long distance away from the reservation. There is no railroad running from the reservation to this point where they want to build the hospital. It appears to me it is foolhardy and a waste of money and we will get exactly nothing in return.

The SPEAKER pro tempore. The time of the gentleman from New York has again expired.

Mr. KERR. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. RABAUT].

Mr. RABAUT. Mr. Speaker, this is another case of where you are always wrong, no matter what you do, according to the opposition.

In the first place, this building is too far away to be established for an Indian hospital. That is point No. 1. It was an Army hospital before, and, as we all know, they establish Army hospitals for different purposes in various parts of the country. It is too far away to be established as an Indian hospital. It will be an Indian boarding school. I hope you get that now; it will be an Indian boarding school. This sum of \$3,750,000 is going to be expended to do certain renovating of the buildings, and procuring of equipment for the school, including books, desks, and everything else that goes with a school system. This meas-

accordance with the recommendations of the Hoover Commission's report.

And further:

Apparently it is an effort on the part of the Federal Security Agency to, as it were, "jump the gun" to now obtain more power or a wider jurisdiction over additional social services to be rendered by the Federal Government to various segments of the population. It seems on its face to be an effort of this particular agency to "blow itself up" not only from an agency into a department but to give it exclusive jurisdiction over departments or agencies of health, education, and the general welfare of the people.

Subsequent events have shown the wisdom of the minority report, for the Hoover Commission, in its task force report on Federal medical services, supplement to appendix O, page 1, dated February 8, which was not before the committee when H. R. 782 was considered and requested out, as well as in reports, recommended that there be established an independent medical agency, to function either as an independent department or agency.

In deciding that question, among other things, it said:

It remains to consider whether such an alternative would be preferable. This question has been fully considered by our committee, and we have reached the conclusion that such an independent organization would be preferable to placing this function in a larger department, as the Commission originally proposed.

In favoring this, we recognize that such an organization would create some additional problems. For example, the administration of health and welfare require close coordination in certain areas. Their separation would require an adjustment of the dual functions of the Children's Bureau and of the Office of Vocational Rehabilitation. These, however, can be solved without undue difficulty.

The advantages of an independent agency are:

(a) The health agency, if submerged within a multipurpose department, would be more likely to find its health functions impeded by collateral considerations pertaining to welfare and insurance.

(b) Appropriations for health should, if possible, be clearly identified as such and not confused with those for social security, welfare, or other social programs.

(c) Other departments, such as the armed forces, using the medical-service agency would be concerned only with its health functions as such and would thus be protected from any collateral and irrelevant considerations having to do with welfare, social security, etc.

(d) The special personnel policies which we have recommended in our main report (sec. XI) could be established with much greater freedom and better success for an independent agency than they could be for one of three bureaus standing side by side in a single department. The new plan would, therefore, greatly facilitate obtaining personnel of the highest quality for the key positions. Under the previous plan, this was a problem which occasioned serious concern in our minds because of the contrast between the great responsibilities of the director general and the heads of his three main divisions (especially the Medical Care Division) and the relatively limited governmental position and pay of the head of a bureau and the chiefs of its subordinate divisions. We believe, therefore, that the new proposal would go far to solve this prob-

lem which we regard as the most serious affecting the original plan.

(e) The head of such an independent agency should be assisted by an advisory committee, representing the several departments and agencies which would be the principal users of medical services, such as the Medical Departments of the Army, Navy, and Air Force, the new proposed Department of Welfare, and the Veterans' Administration. With the agency independent, it would be more flexible to adapt its services, with the assistance of such advisory committee, to the needs of the several interested departments and agencies in its medical-care facilities, in the training and staffing of professional and technical personnel, in its public health functions, and in other ways.

In considering the establishment of such an independent health agency, our committee again calls attention to a most important consideration pointed out in chapter III (p. 26) of our main report. The agency should be headed by a professional career director general. Under the new plan he should report directly to the President, and should, in the nonmilitary Federal medical organization, be the highest ranking physician in the Government. The supreme medical importance of the position of the Director General should command, irrespective of all other considerations, the ablest medical and health administrator whose services can be obtained by the Government.

For these reasons, the committee views the present proposal for an independent organization as a significant improvement over the previously submitted plan.

The Commission's report on medical activities, which was transmitted by Mr. Hoover to the Congress on the 16th day of March 1949, among other things states:

REORGANIZATION OF FEDERAL MEDICAL ACTIVITIES

The immediate purpose of the Commission, in recommending reorganization of Federal medical activities, is to unite the functions now in five major agencies so as to eliminate overlap, waste, and inefficiency. The proposed form of organization is a unification in which each of the major agencies will have an advisory voice in management.

However, the much wider and critically necessary objectives are:

First. To provide better medical care for the beneficiaries of the Federal Government's medical programs.

Second. To create a better foundation for training and medical service in the Federal agencies.

Third. To reduce the drain of doctors away from private practice. The country is now dreadfully short of doctors.

Fourth. To provide better organization for medical research.

Fifth. To promote a better state of medical preparedness for war.

RECOMMENDATION NO. 1

To accomplish these purposes, the Commission recommends the establishment of a United Medical Administration into which would be consolidated most of the large-scale activities of the Federal Government in the fields of medical care, medical research, and public health (in which we include preventative medicine).

It should be said at once that, under this plan, the military medical services would remain intact, except for hospitalization within the United States. Each of the three services would retain one major teaching and research center (such as the Naval Medical Center at Bethesda, Md., and the Walter Reed General Hospital, Washington, D. C.). The professional personnel of the services may be assigned to the new Administration for duty, research, and training. The pro-

posed United Medical Administration would provide the major part of all hospital care required by the military forces in the continental United States.

The Veterans' Administration would continue to certify patients for treatment and would determine disability, ratings, etc., but the United Medical Administration would look after veterans' medical care.

The recommendation of our task force that medical supply be centralized in a single agency, preferably in one of the armed forces or in the United Medical Administration, merits favorable consideration.

In reaching the conclusion that medical services should be unified, the Commission had the aid of extensive surveys by its distinguished task forces on medical services and on the national security organization. The recommendations set forth in our report are generally in accord with those submitted by these two task forces.

The task force on medical services was instructed to base its original report on the premise that the Commission will recommend a Cabinet department embracing health, education, and security. However, in view of the size of the medical operations of the Federal Government and the extreme dissimilarities among the activities which would have composed such a department, the task force was later requested to consider the advisability of placing medical-service functions in a single agency. Its supplementary report favors very strongly a separate United Medical Administration. This supplement, with the task force's main report (appendix O) is being transmitted separately, along with this Commission's report.

A proposed United Medical Administration is recommended in subsequent pages of the report beginning on page 15, where it is said:

Only the creation of a new United Medical Administration can remedy the weaknesses of the present organization and give the leadership, direction and planning urgently needed. To it would be transferred the Government's major services in the field of medical care, public health, and medical research.

The Nation's vast medical services, which we have noted lack any central plan of operation, require unified responsibility. The Government must have a central plan if waste and inefficiency are to be avoided. The advantages of unification of Federal medical services include the following:

(a) The general standard of Federal medical care would be improved.

(b) There would be central supervision of the major Federal medical care, public health, and medical research activities. Unified responsibility is the key to good management. The President, the Congress, and the public could look to one man for results.

(c) Construction costs could be standardized and reduced.

(d) Federal hospitals could be utilized to the fullest extent by eliminating present distinctions as to the particular types of beneficiaries for which each can care. After all, a patient is a patient whether he is a veteran, a merchant seaman, or in the Army, Navy, or Air Force.

(e) The medical manpower at the call of the Federal Government could be used to the fullest extent, and present deficits in skilled personnel could be greatly reduced.

(f) The need for any draft of medical manpower in time of peace would be greatly lessened.

(g) The cost of health and medical services would be clearly identified and known to Congress.

(h) The facilities of private hospitals and the skills of physicians in private life and

in the universities could be utilized far more effectively than they are now.

The Commission's report on Social Security, Education and Indian Affairs, which was transmitted to the Congress by Mr. Hoover on the 18th of March, 1949, states, page 4:

In our report on medical services, we have recommended a separate United Medical Administration, reporting directly to the President. That agency would embrace the major hospitalization, medical research, and public health activities of the Government and, by its creation, bring about better medical care, development of medical staff, research, and protection of public health, together with large economies in administration.

The same report on the same page calls attention to the fact that the commission in its report on the Labor Department had recommended the return of several agencies now in the Federal Security Agency to the Labor Department. The report then continued:

There remain, however, certain most important bureaus or agencies relating to education and security which must be organized into a workable department. They are now, with one exception (the Bureau of Indian Affairs), in the Federal Security Agency.

The size of these agencies, after making the changes we have outlined, is somewhat indicated by the fact that they embrace about 20,000 employees. The administrative expenditures would be roughly \$50,000,000. The grants-in-aid to be distributed would approximate \$800,000,000 (in addition, the budget for 1950 includes \$301,200,000 for Federal aid to education and \$65,000,000 for the extension of public assistance programs). For the calendar year 1948, the collections of old-age and survivors insurance approximated \$1,688,000,000, and the disbursements \$550,000,000. The accumulated funds on August 31, 1948, were \$10,388,000,000.

While we discuss the educational problems at greater length later, it may be said here that it has long been suggested that the educational activities of the Federal Government should be given independent or Cabinet status. However, the Federal Government is not engaged in direct educational activities (except in a small way in the case of Howard University). Its function is that of stimulating educational advancement by research, issuing publications, and making grants-in-aid to the States. The administrative staff required is less than 500 persons.

We believe that the functions, including education, which we propose to assign to this Department have such an important relationship to the formation of the domestic policies of the Government that the person in charge of the functions should be a member of the President's Cabinet.

RECOMMENDATION NO. 1

We therefore recommend that a new Department to administer the functions set forth in this report be created and headed by a Cabinet officer.

EVERYONE WANTS IT

Efficiency and economy in the executive departments, the objectives of the Hoover Commission, have the approval of President Truman and every thinking citizen who has the welfare of the country at heart. An overwhelming majority of the people, if communications from our constituents and the comments in the public press are to be considered, support in general the findings and the recommendations of the Hoover Commission.

Action by the House on this bill is the first test as to whether the principles enunciated in the recommendations of the Hoover Commission are to be followed or whether the Congress is to follow the time-honored procedure of permitting the agencies, the bureaus, and the departments in the executive department to write legislation designed, not primarily in the interests of the people as a whole, but to further the purpose and the objectives of the various agencies, bureaus, and departments.

It is only natural that an agency, bureau, or department, once established, should seek to enlarge its sphere of influence, to increase its personnel, bring under its jurisdiction additional activities of the Government. That has been the procedure in the past every time the Congress sought to economize in or make more efficient the executive branch of the Government.

It was because, and only because, the Congress realized the futility of its efforts that it created the Hoover Commission and gave it almost \$2,000,000 to outline the legislation which was needed to accomplish what the people and the Congress have long desired—economy and efficiency.

If today we adopt this bill as it is written, we will, in my opinion, have again surrendered to the bureaucrats in the executive department, in this instance to the Federal Security Agency.

We will have denied to the President of the United States the opportunity to send up to us his recommendations under a reorganization bill which we will have adopted before the month is ended.

We will have repudiated the recommendations of the Hoover Commission.

The passage of this bill as written will be a notice to the economy-minded people of the United States that the Congress lacks either the ability, the inclination, or the courage to give them what they so greatly desire—economy and efficiency in the executive branch of their Government.

This bill should be recommitted to the committee, which will undoubtedly shortly have before it some of the President's recommendations on reorganization.

The committee can then, after considering the Hoover recommendations and the recommendations of President Truman, write a bill creating a Department of Public Welfare and an independent agency to deal with the medical activities of the Federal Government.

A plan for such an agency is outlined in the Hoover reports to which reference has just been made.

EXTENSION OF REMARKS

Mr. CASE of South Dakota asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. JENKINS asked and was given permission to revise and extend his remarks.

Mr. PRICE asked and was given permission to extend his remarks in the RECORD and include an editorial from the St. Louis Post-Dispatch on the two hundred and fiftieth anniversary of the founding of Cahokia, Ill.

Mr. WALTER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include a manuscript entitled "National Constitution and Bylaws of the Auxiliary of AMVETS—American Veterans of World War II."

I have an estimate from the Public Printer that this extension will make three and two-thirds pages in the CONGRESSIONAL RECORD at a cost of \$275; notwithstanding, I ask unanimous consent that the extension may be made.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. ELSTON asked and was given permission to extend his remarks in the RECORD and include an editorial from the Cincinnati Times-Star of May 10.

Mr. SHORT asked and was given permission to revise and extend the remarks he made this afternoon, and also to extend his remarks in the RECORD in two instances.

Mr. COOLEY asked and was given permission to revise and extend his remarks in the RECORD.

Mr. AUGUST H. ANDRESEN asked and was given permission to revise and extend the remarks he made today in Committee of the Whole.

Mr. DURHAM asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. WEICHEL asked and was given permission to extend his remarks in the RECORD and include an article.

AMENDING FEDERAL CROP INSURANCE ACT

Mr. MCSWEENEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 212 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3825) to amend the Federal Crop Insurance Act. That after general debate, which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MCSWEENEY. Mr. Speaker, House Resolution 212 makes it in order to consider a bill which has to do with the increase of and continuation of crop insurance. Those of us who come from agricultural communities realize how important this legislation is. I learned that this was reported out unanimously by the Committee on Agriculture. Therefore, I am not going to take up

the time of the House to discuss it further.

Mr. Speaker, I reserve the balance of my time and yield to the gentleman from New York [Mr. WADSWORTH] one-half hour. The gentleman from New York has consented to represent the minority on the rule.

Mr. WADSWORTH. Mr. Speaker, the gentleman from Ohio has described the purpose of the bill. Since there are no requests for time on this side, I yield back the balance of my time.

Mr. McSWEENEY. Mr. Speaker, I move the previous question. The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3825) to amend the Federal Crop Insurance Act.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 3825, with Mr. MONRONEY in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from North Carolina [Mr. COOLEY] is entitled to 1 hour and the gentleman from Minnesota [Mr. AUGUST H. ANDRESEN] is entitled to 1 hour.

The gentleman from North Carolina [Mr. COOLEY].

Mr. COOLEY. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, the bill before us at this time continues the Federal crop insurance program on an experimental basis.

I am sure most of you will recall that the original crop-insurance program was all too ambitious. At the time we embarked upon it, it was contemplated that we might suffer losses aggregating as much as \$100,000,000. The fact is the losses were very substantial, but did not amount to as much as \$100,000,000. This bill provides for authority to write off of the books of the Corporation the amount of accrued losses to date. Those losses were so substantial that everyone knows it will never be possible for the Corporation to earn enough to become solvent. We have, according to our report, a deficit of approximately \$73,000,000.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. I yield.

Mr. AUGUST H. ANDRESEN. The losses to which the gentleman has referred were losses that were incurred prior to the institution of the experimental program?

Mr. COOLEY. The gentleman is correct. Since the program has been on an experimental basis it has operated rather successfully, and according to the information before the committee last year the premiums collected amounted to \$12,500,000. The losses amounted to \$5,200,000.

In addition to authorizing the writing off of the losses which have accrued to

date, the program is continued on an experimental basis, on a somewhat broader basis, however, because the Corporation is permitted to increase the number of counties by not to exceed 50 percent in any one calendar year.

Someone asked the question before the Rules Committee as to the participation. According to our information, in wheat the participation has been 37 percent of the eligible growers in the counties in which the program was in effect. The eligible growers of corn in the counties where the program was in effect was 20 percent; flax, 35 percent; tobacco, 35 percent; cotton, 13 percent; beans, 26 percent; multiple crop insurance, 26 percent.

The committee has authorized the Corporation to enlarge its multiple crop insurance program, which we think should be done.

The administrative expenses, of course, are not paid from the premiums, but are borne by the Government.

There is one other provision I would like to call attention to. We have authorized the Corporation to investigate the feasibility of a crop insurance program on livestock. I am sure you will also recall that a provision was inserted in the bill some time ago which required the Corporation to operate on an actuarially sound basis, after the passage of 2 or 3 years, or perhaps 3 or 5 years. That was not considered practical in view of the fact that you could not determine the losses incurred in any 1 year until all the claims had been submitted and adjudicated, and in the event some of the claims were to become involved in litigation court action might result in delay in the payment to many policyholders who would be entitled to benefits. Since it does appear that the program is now operating successfully we thought that it was no longer necessary to have that restriction in the law, so the bill removes the restriction.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. COOLEY. Mr. Chairman, I yield myself two additional minutes to yield the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. I wish to make this observation in the gentleman's time and have his reaction to it: We have had some very disastrous results in the crop-insurance program. We are now operating it on an experimental basis. The only thing that I fear under the present proposal is a larger expansion of the experimental program than is advisable. We have had the experimental program in operation for 1 year, one of the best crop-growing years we have had in the history of our country; and, of course, it makes a good showing. They collected more in premiums than they paid out in losses. I only sound this as a word of caution because should we have extensive crop failures under the new experimental and expanded program, crop insurance will be gone forever; that is, if we have to pay out considerable money from the Treasury. I am hopeful that those who administer

the law will go slowly in picking out counties and conducting this expanded experimental program, because I feel that one of the strong planks in a sound and long-range farm program would be an insurance program to secure the farmers in the losses they might have at least for the expense of putting in the seed and tilling the soil. I want a self-sustaining program, one that will carry its own weight; and I am sure the gentleman will agree with me on that point as a part of the long-range permanent farm program.

Mr. COOLEY. I agree with the gentleman, and I believe that the entire membership of our committee agrees with him in that regard, but I do not think we have expanded the program too much by this pending legislation; time alone, of course, will tell. I agree with the gentleman that it would be well for the corporation to go slowly and not to expand too rapidly.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. HOPE. Mr. Chairman, I yield myself 10 minutes.

The CHAIRMAN. The gentleman from Kansas is recognized for 10 minutes.

Mr. HOPE. Mr. Chairman, we have had crop-insurance legislation on the books since 1938, and some kind of program in effect most of the time since that date. Crop insurance has had a rather checkered history. It certainly has not been a successful program up until, I would say, the last year when it was on an experimental basis. I believe, however, that we have learned a great deal about crop insurance in the course of these programs, and there is no doubt in my mind but what we are in a far better position now than we have ever been to carry out a successful program. I believe it is only fair to the program to state that a considerable part of the difficulty that we have had with crop insurance in the past has been due to poor management; I think part of it is due to the fact that we started out on the wrong theory in the first place. Crop insurance was begun at a time which was not too far removed from the period of the drought, the dust bowl, and low farm prices. Very frankly, I think that those who were administering the program in the early part of it were more or less of the opinion that they were carrying out a relief program and administered it very much in that fashion.

The losses were so great that in 1943, I believe it was, the Appropriations Committee refused to make any further appropriations for crop insurance and efforts were made to wind up the program altogether. However, following that we amended the law, putting some safeguards in it, but even with those changes we had a very disastrous program in connection with cotton during the 1946 crop year with a loss of over \$50,000,000 in cotton alone, a very large part of it due to extremely heavy losses in west Texas. I think anyone who has looked into the matter will agree that a great part of those losses was due to mismanagement on the part of the Crop Insurance Corporation.

In 1947 we enacted legislation putting the program entirely upon an experimental basis, one which took into account what we had learned through past experience. Perhaps the greatest change made was one which to a large extent eliminated the moral risk. The fact that we had such a high moral risk in the early crop insurance program is responsible more than anything else for its failure, because the way the program was set up in wheat and cotton in its early years it was frequently more profitable to have a loss than to grow a crop. You cannot make any kind of an insurance business a success if it is more profitable to have a loss than not.

We have a program now which has very largely eliminated that factor because we do not insure any producer for more than the amount he has invested in a crop. There is no way by which he can gain any advantage for himself by having a loss as compared with producing a crop.

Mr. Chairman, it is only fair to say that the Crop Insurance Corporation at the present time is under extremely good management. Mr. G. F. Geissler who has managed the Corporation during the last 2 years is one of the most competent and able administrators in the Government service. He has done an excellent job and I know the committee has been very much impressed with it.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. HOPE. I yield to the gentleman from Michigan.

Mr. MICHENER. I want to impress upon the farmers of the country and in my district in particular, and those interested in this crop-insurance program, the fact that this bill writes off a loss of \$73,000,000. I was one of those in 1938, when this matter was first suggested, who felt, and so expressed my feeling at that time, that this matter should be handled as ordinary insurance by the private insurance industry. We were told at that time by the insurance companies that the risk was too great, that they could not afford to take the chance, in fairness to their other risks; but the assurance came from the farmers and the groups advocating this crop insurance that there would not be any losses. I believe in crop insurance if it can be provided by private companies, and if not, then by the method suggested in this bill. In these days when the Government is being asked to do so much for all of the people all of the time, it is well to point out the cost to the taxpayer. We must proceed with caution. I have much faith in the gentleman from Kansas, whose approach to all farm problems is always sound and objective. We have now done some pioneering work. It has been proven that these experiments cost a lot of money, and I hope we have gotten \$73,000,000 worth of benefit out of the experience. When I go back home and when other Members from agricultural districts go back home and talk with the farmers who are so enthusiastic about this crop insurance, I hope that they will understand that there has been a loss and that we are trying to work out something now so

that we will avoid these losses in the future.

Mr. McSWEENEY. Mr. Chairman, will the gentleman yield?

Mr. HOPE. I yield to the gentleman from Ohio.

Mr. McSWEENEY. I always turn to the gentleman from Kansas for information on agricultural matters since serving with him on the Committee on Agriculture. Is it necessary to charge off all of the \$73,000,000? Will there not be any possibility for some earnings to come under this present law that might take care of, say, half of it?

Mr. HOPE. I might say this to the gentleman, that if we had a full program now, there would be a better chance, of course, for some earnings that might absorb part of this loss, but the program we are on now is simply an experimental program. It covers only a few commodities. It is in effect in only a comparatively small number of counties, less than 400 counties in the United States, and it would take a very long time under this experimental program to build up reserves to even take up a part of this loss. I think it would be unfair to those farmers who go into the program now—a sound program as I believe it to be, and an experimental program—to charge premiums which would have to be used to make up this loss. I think we simply have to charge this loss to experience and bad management and write it off and start over again.

Mr. McSWEENEY. Mr. Chairman, if the gentleman will yield further, what becomes of any surpluses that are earned under the program? Do they go back to the Treasury?

Mr. HOPE. They go to build up a reserve; that is, the premiums which are charged under this program, just as they are in any insurance business, are based upon what it is estimated the risk will be, and if we have any excess, it goes to build up a reserve. I think it is very important for the Crop Insurance Corporation to build up a reserve as it goes along, and that is especially true as we are expanding, because unless we build up a pretty good reserve on the smaller business this year it will be inadequate as a reserve to take care of the larger business next year, and a still larger business the following years as we expand.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. HOPE. Mr. Chairman, I yield myself five additional minutes.

I believe that we should consider this \$73,000,000 as gone and try to build up a sound reserve under the present program.

Mr. AUGUST H. ANDRESEN. Mr. Chairman, will the gentleman yield?

Mr. HOPE. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. As far as building up reserves, I would like to make this observation: We have had 7 or 8 years of ideal production and growing weather in agriculture, and if the law of averages operates at all, why, we can look for some crop failures in the next 6 or 7 years. In all probability in some of those years the losses will be greater than the income, so whatever re-

serves are built up now during the good years would have to be used during the poor years when the insurance premium income would be lower, so I doubt very much if anything could be paid on that \$73,000,000.

Mr. HOPE. I quite agree with the gentleman. I think that without any doubt we have poor years from a crop production standpoint ahead of us, and it is important to have sizable reserves built up to take care of the losses that are bound to occur in those years.

Just very briefly I want to call attention to the principal changes which this bill makes in existing law. For one thing it provides for an orderly expansion of coverage. Under existing law insurance is available to farmers in only approximately 400 counties and there is no provision for expansion except into new commodities. This bill sets up a formula for expansion. It authorizes as to each type of insurance an increase each year of not to exceed 50 percent of the number of counties in which that type of insurance was offered during the previous year.

In the second place, it provides for multiple crop insurance. That is something we have not had heretofore except in an experimental way in a couple of counties this past year. Under that program the corporation will be able to insure all of the important crops on a farm in one policy. That should be a more stable type of insurance. It will not only be of greater benefit to the farmer, himself, to have all of his major crops insured, but by reason of the fact that there is very seldom a failure of all crops in any particular year it will stabilize the entire program.

It is provided in this legislation that beginning with next year we will try out the multiple-crop-insurance program in 50 counties. That is subject to increase in succeeding years under the formula which I mentioned a moment ago. Reference has already been made to the fact that the bill provides for wiping out the \$73,000,000 loss that has already occurred.

The next matter I want to mention is that this bill repeals a provision in an earlier act which provides that if the premiums are not sufficient to pay all the losses the loss payments must be prorated. That is a very unsatisfactory provision. We are told by the Comptroller General's office and also by the Crop Insurance Corporation that it might in some cases be 2 or 3 years before it could be determined what the indemnity paid to an insured farmer might be, and he would have to wait that long in order to receive his payments, which of course is a very unsatisfactory situation. I do not see how you can build up any sort of an insurance business under conditions of that kind.

Another section of the bill repeals a provision that would go into effect in 1950 which provides that the administrative expenses shall be no more than 25 percent of the premiums collected. I am advised that for insurance companies generally over the country the administrative expenses amount to about 35 percent. Certainly it would be asking a great deal, I think, to expect this corpo-

ration, which is conducting its business only on an experimental basis, and which cannot for that reason have a very large volume, to carry out its operations with an administrative expense that is considerably lower than private insurance companies.

Furthermore, if we limit the amount to 25 percent in the years when large losses occur, it might be impossible to make adequate adjustments and the Corporation might suffer losses because it was not possible to make careful inspections and adjustments. Therefore, I believe we are fully justified in removing that 25-percent limitation. Of course, we expect the Corporation to conduct its operations in as economical a way as possible, but we do not expect them to do the impossible.

Mr. Chairman, this bill was reported out unanimously by the Committee on Agriculture. I think I can say the committee was very well pleased with the report which the Crop Insurance Corporation made of its operations over the past year. I think we have confidence in the present management of the Corporation and that we are now on the road to working out a successful crop-insurance program. I agree with what the gentleman from Minnesota says, in that I do not think we ought to go too fast. I think it is a question of moving slowly to gain experience as we go along, because after all the basis of all insurance business everywhere is experience.

The CHAIRMAN. The time of the gentleman from Kansas has again expired.

Mr. COOLEY. Mr. Chairman, I have no further requests for time on this side. Does the gentleman from Kansas have any requests for time?

Mr. HOPE. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read. The Clerk read as follows:

Be it enacted, etc., That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: *Provided*, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed 200 counties in the case of wheat, 56 counties in the case of cotton, 50 counties each in the case of corn and flax, 35 counties in the case of tobacco,

20 counties in the case of any other agricultural commodity, and, in addition, 50 counties in the case of multiple crop insurance: *Provided further*, That, beginning with crops planted for harvest in 1950, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 percent of the number of counties in which such insurance was provided the previous year and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for 3 years. Reinsurance for private insurance companies shall be limited to not to exceed 20 counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 percent of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided further*, That if 75 percent of the average yield represents generally more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under the subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least 200 farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured."

SEC. 2. Subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended by striking out the proviso in the second sentence and the colon which precedes it and substituting a period therefor.

SEC. 3. Subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided*, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, any action on such claim hereafter brought against the Corporation shall be brought in the United States district court sitting in the district in which the insured farm is located, and jurisdiction is hereby conferred upon such dis-

trict courts to determine such controversies without regard to the amount in controversy: *Provided further*, That no such claim shall be allowed under this section unless the same shall have been brought within 1 year after the date when notice of denial of the claim is mailed to and received by the claimant."

SEC. 4. Subsection (e) of section 508 of the Federal Crop Insurance Act is hereby repealed.

SEC. 5. Subsection (a) of section 504 of the Federal Crop Insurance Act is amended by striking out the second sentence thereof.

SEC. 6. The Secretary of the Treasury is hereby authorized and directed to cancel, without consideration, outstanding receipts for payments for or on account of the stock of the Corporation in excess of \$27,000,000.

SEC. 7. Subsection (b) of section 504 of the Federal Crop Insurance Act is amended to read as follows:

"(b) There is hereby authorized to be appropriated such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation."

SEC. 8. Subsection (c) of section 505 of the Federal Crop Insurance Act, as amended, is amended by striking out the second sentence and inserting in lieu thereof the following: "The members of the Board who are not employed by the Government shall be paid such compensation for their services as directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed \$100 per day each when actually employed and transportation expenses plus not to exceed \$10 per diem for subsistence and other expenses when on business of the Corporation away from their homes or regular places of business."

SEC. 9. Subsection (b) of section 506 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(h) may conduct researches, surveys, and investigations relating to crop insurance and shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities."

SEC. 10. Section 518 of the Federal Crop Insurance Act, as amended, is amended by striking therefrom the words "determined by the Board pursuant to subsection (a) (2) of section 508 of this title" and substituting therefor the words "determined by the Board pursuant to subsection (a) of section 508 of this title."

Mr. COOLEY (interrupting the reading of the bill). Mr. Chairman, I ask unanimous consent that the further reading of the bill be dispensed with, that the bill be considered as read and be printed at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The CHAIRMAN. The Clerk will report the committee amendments.

The Clerk read as follows:

Committee amendment: Page 2, line 20, strike out the word "further."

The committee amendment was agreed to.

Committee amendment: Page 3, line 13, strike out the word "further."

The committee amendment was agreed to.

Committee amendment: Page 3, line 19, change the words "under the subsection" to read "under this subsection."

The committee amendment was agreed to.

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that the remainder

of the committee amendments be considered en bloc and be printed at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The balance of the committee amendments are as follows:

Page 5, lines 6 to 17, beginning with the words "In the event that," strike out the rest of the section and insert in lieu thereof the following: "In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant."

Page 5, lines 18 and 19, strike out all of section 4.

Page 5, line 20, change "Sec. 5" to "Sec. 4."

Page 5, line 23, change "Sec. 6" to "Sec. 5."

Page 6, line 4, change "Sec. 7" to "Sec. 6."

Page 6, line 9, change "Sec. 8" to "Sec. 7."

Page 6, line 15, strike out "\$100" and insert in lieu thereof "\$50."

Page 6, line 17, change the words "per diem for subsistence and other expenses" to read "per diem in lieu of subsistence expenses."

Page 6, line 20, change "Sec. 9" to "Sec. 8" and change "Subsection (b)" to "Subsection (h)."

Page 6, line 24, following the word "crop", insert the words "and livestock."

Page 7, line 2, after the word "commodities," insert the words "and livestock."

Page 7, line 3, change "Sec. 10" to "Sec. 9."

Page 7, after line 8, add the following new section:

"Sec. 10. Subsection (a) of section 507 of the Federal Crop Insurance Act is amended to read as follows:

"(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: *Provided*, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended."

The CHAIRMAN. The question is on agreeing to the committee amendments.

The committee amendments were agreed to.

Mr. McCORMACK. Mr. Chairman, may I suggest, for the purposes of the RECORD, that it be understood that any Member who wants to offer an amendment to any of these committee amendments tomorrow may do so, and that the chairman will not object to a unanimous-consent request that such amendments be considered.

The CHAIRMAN. Does the gentleman from Massachusetts make a unanimous-consent request to that effect?

Mr. COOLEY. Mr. Chairman, I make that unanimous-consent request.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. COOLEY. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. MONRONEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3825) to amend the Federal Crop Insurance Act, had come to no resolution thereon.

CONTRACT SETTLEMENT ACT OF 1944

Mr. MADDEN, from the Committee on Rules, submitted the following privileged resolution (H. Res. 220), which was referred to the House Calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 834) to amend the Contract Settlement Act of 1944 so as to authorize the payment of fair compensation to persons contracting to deliver certain strategic or critical minerals or metals in cases of failure to recover reasonable costs, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the Chairman and the ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

ADDITIONAL REVENUE FOR THE DISTRICT OF COLUMBIA

Mr. McMILLAN of South Carolina. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 3704) to provide additional revenue for the District of Columbia, with Senate amendments, disagree to the Senate amendments and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina [Mr. McMILLAN]?

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, is this agreeable to the ranking minority member, the gentleman from Massachusetts [Mr. BATES]?

Mr. McMILLAN of South Carolina. It is.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none, and appoints the following conferees: Mr. McMILLAN of South Carolina, Mr. SMITH of Virginia, Mr. JONES of Missouri, Mr. BATES of Massachusetts, and Mr. O'HARA of Minnesota.

EXTENSION OF REMARKS

Mr. LATHAM (at the request of Mr. MARTIN of Massachusetts) was granted permission to extend his remarks in the Appendix of the RECORD and include an article.

INVESTIGATION OF DOMESTIC FISHING INDUSTRY

The SPEAKER laid before the House the following communication, which was read by the Clerk, and, together with the accompanying papers, referred to the Committee on Merchant Marine and Fisheries and ordered to be printed:

MAY 17, 1949.

The Honorable SAM RAYBURN,

Speaker of the

House of Representatives.

MY DEAR MR. SPEAKER: I have further reference to your letter of April 5, 1949, transmitting a signed engrossed copy of House Resolution No. 147, requesting the Secretary of State to cause an immediate study to be made of the effect on the domestic fishing industry of increasing imports of freshwater and salt water fresh and frozen fish, especially groundfish filets, and to make his report and recommendation to the House of Representatives not later than May 15, 1949. The requested study has been made and I am enclosing the requested report, with recommendations.

The Department recognizes that the report is not as comprehensive as may be desired, but is the best that could be made within the time limit set by the resolution and with the limited facilities available to the Department for undertaking such a study.

The Tariff Commission and the Fish and Wildlife Service, in accordance with the Department's request, generously supplied much of the basic data which are reproduced in the report. Interdepartmental consideration of the report was undertaken in the Committee on Trade Agreements, whose membership consists of representatives of the Departments of State, Agriculture, Commerce, Labor, and Treasury; the National Military Establishment; and the Economic Cooperation Administration. All of these agencies concur in this report.

Sincerely yours,

ERNEST A. GROSS,

Assistant Secretary

(For the Secretary of State)

(Enclosure: Report on House Resolution No. 147.)

SPECIAL ORDER

The SPEAKER. Under previous order of the House, the gentleman from Michigan [Mr. DONDERO] is recognized for 30 minutes.

COMMUNISM IN THE HEART OF AMERICAN ART—WHAT TO DO ABOUT IT

Mr. DONDERO. Mr. Speaker, on two occasions recently I have placed in the RECORDS of this Congress my remarks on a situation which I firmly believe to be of serious import to the Nation; namely, the penetration by deception, stealth, and fraud of Communist standards and theories into the great cultural life of our Republic. The evidence which is available upon this subject is so extensive, so difficult of complete analysis that to study the situation comprehensively would require a major investigation on the part of a competent Government agency.

There are, however, two things which I consider it my duty to do, and which I now propose to do. The first is to turn

(c) Subjecting any property of the United States, its agencies or instrumentalities, to taxation by any State or subdivision thereof, or creating any obligation on the part of the United States, its agencies or instrumentalities, by reason of the acquisition, construction, or operation of any property or works of whatever kind, to make any payment to any State or political subdivision thereof, State agency, municipality, or entity whatsoever, in reimbursement for the loss of taxes;

(d) Subjecting any property of the United States, its agencies or instrumentalities, to the laws of any State to an extent other than the extent to which such laws would apply without regard to this compact.

ARTICLE XII

The consumptive use of water by the United States or any of its agencies, instrumentalities, or wards, shall be charged as a use by the State in which the use is made: *Provided*, That such consumptive use incident to the diversion, impounding, or conveyance of water in one State for use in the other State shall be charged to such latter State.

ARTICLE XIII

This compact shall not be construed as establishing any general principle or precedent applicable to other interstate streams.

ARTICLE XIV

This compact may be terminated at any time by appropriate action of the legislatures of both of the signatory States. In the event of such termination, all rights established under it shall continue unimpaired.

ARTICLE XV

This compact shall become binding and obligatory when it shall have been ratified by the legislature of each State and approved by the Congress of the United States. Notice of ratification by the legislature of each State shall be given by the Governor of that State to the Governor of the other State and to the President of the United States, and the President is hereby requested to give notice to the Governor of each State of approval by the Congress of the United States.

In witness whereof, the Commissioners have executed three counterparts hereof each of which shall be and constitute an original, one of which shall be deposited in the archives of the Department of State of the United States, and one of which shall be forwarded to the Governor of each State.

Done at the city of Santa Fe, State of New Mexico, this 3d day of December 1948.

JOHN H. BLISS,

Commissioner for the State of New Mexico.

CHARLES H. MILLER,

Commissioner for the State of Texas.

Approved:

BERKELEY JOHNSON,

Representative of the United States of America.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. SIKES asked and was given permission to extend his remarks in the RECORD and include a speech by James H. Allen.

Mr. LYNCH asked and was given permission to extend his remarks in the RECORD and include a magazine article.

Mr. GARMATZ asked and was given permission to extend his remarks in the RECORD and include a speech by Hon. Thomas D'Alesandro, mayor of the city of Baltimore and chairman of the standing committee on legislation at the conference of mayors.

Mr. BRYSON asked and was given permission to extend his remarks in the RECORD in two instances and include therein brief newspaper excerpts.

Mr. MULTER asked and was given permission to extend his remarks in the RECORD in two instances and include extraneous matter.

PERMISSION TO ADDRESS THE HOUSE

Mr. MULTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

[Mr. MULTER addressed the House. His remarks appear in the Appendix of today's RECORD.]

EXTENSION OF REMARKS

Mr. ANGELL asked and was granted permission to extend his remarks in the Appendix of the RECORD and include an editorial.

Mr. COUDERT asked and was granted permission to extend his remarks in the Appendix of the RECORD and include extraneous matter.

Mr. MERROW asked and was granted permission to extend his remarks in the Appendix of the RECORD and include an editorial.

Mr. PATTERSON asked and was granted permission to extend his remarks in the Appendix of the RECORD.

Mr. BOGGS of Delaware asked and was granted permission to extend his remarks in the Appendix of the RECORD.

Mr. BOGGS of Louisiana asked and was granted permission to extend his remarks in the Appendix of the RECORD and include some extraneous material.

Mr. LODGE asked and was granted permission to extend his remarks in the Appendix of the RECORD in two instances and to include extraneous material.

LEAVE OF ABSENCE

Mr. CASE of New Jersey. Mr. Speaker, I regret to announce that my colleague the gentleman from New Jersey [Mr. CANFIELD] is detained at home on account of serious illness in his family. I ask unanimous consent that he be granted leave of absence from his official duties for such time as is necessary.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey [Mr. CASE]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. PATTERSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut [Mr. PATTERSON]?

There was no objection.

UNEMPLOYMENT—WHAT ARE WE DOING ABOUT IT?

Mr. PATTERSON. Mr. Speaker, a subject being granted too little attention in the Halls of Congress is that of the continuing unemployment of our citizens. Each succeeding day the problem

becomes more real and pressing. In Connecticut alone almost 100,000 of our people are seeking work to keep themselves and their families in the necessities of life. Thousands have used up their total benefits under unemployment compensation, with no relief in sight. Our communities cannot absorb the welfare load being placed upon local agencies, but no solution is being proposed by the administration.

In the face of declining prices, decreased employment and production, the President maintains that the Congress should tax our people to the tune of \$4,000,000,000 more. Let us consider the problems of our own people for a change before we continue to expend all our energies and resources on those of foreign countries.

Are the administration and the Democratic majority in Congress to continue ignoring the seriousness of the present unemployment picture? Are we to tell our people that we are too busy appropriating billions for aid overseas and for armaments to help them attain a decent living standard?

Call it disinflation or what you will, but the people need help and assurance, which has not been given by our Government. A man's primary concern is the immediate preservation of his family, and that should be the subject of Government concern as well.

Let us not forget that there is no greater seed for discontent than lack of employment. A man or woman working suitable hours for decent wages is a fruitful citizen.

Mr. LODGE. Mr. Speaker, will the gentleman yield?

Mr. PATTERSON. I yield.

Mr. LODGE. The latest information which I have is that there are some 13,000 unemployed in the city of Bridgeport.

Mr. PATTERSON. That is correct; and that includes only those who are on the United States unemployment compensation rolls.

In Waterbury, Conn., there are at least 10,500 unemployed at this time. That is not a true picture, because there are a great many who are working only 1 day a week.

The SPEAKER. The time of the gentleman from Connecticut has expired.

PERMISSION TO ADDRESS THE HOUSE

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentlewoman from Massachusetts?

There was no objection.

ADDITIONAL FBI PERSONNEL

Mrs. ROGERS of Massachusetts. Mr. Speaker, the press today carries the story that uranium and other atom bomb secrets have been stolen. I think it makes us feel more and more the necessity for having enough FBI agents to apprehend these thieves, and to pay attention to every rumor that might lead to the capture of Communists and subversive people. I have warned and

warned against subversive activities in the United States Government. It obviously still continues and very dangerously. According to the press the FBI were not notified promptly of the theft of the uranium. I do not know the details, of course, but I do state I feel very strongly the House will want to appropriate enough money to prevent thefts of this kind which affect not only the welfare of the United States but affect the welfare of all freedom-loving people in the world.

The SPEAKER. The time of the gentleman from Massachusetts has expired.

PERMISSION TO ADDRESS THE HOUSE

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi [Mr. RANKIN]?

There was no objection.

INVESTIGATIONS BY COMMITTEE ON UN-AMERICAN ACTIVITIES

Mr. RANKIN. Mr. Speaker, what we need is for the Committee on Un-American Activities to get busy.

We investigated these Communist-front organizations when I was a member of that committee. That investigation showed that the Southern Conference for Human Welfare was nothing in God's world but a Communist-front organization. Nothing has been done about it. We could get no response, if you please, from the Attorney General. When we undertook to get the Dr. Condon letter which the FBI wrote condemning Condon, the Attorney General even had it sent to the White House to keep the committee from getting it.

The American people are simply horrified to find that the Atomic Energy Commission is educating, at the expense of the Federal Government, a Communist at the University of North Carolina, teaching him how to blow up this country in the years to come.

I appeal to the Committee on Un-American Activities to get busy and investigate these subversive activities of all kinds, before it is too late.

The SPEAKER. The time of the gentleman from Mississippi [Mr. RANKIN] has expired.

PERMISSION TO ADDRESS THE HOUSE

Mr. FOGARTY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

[Mr. FOGARTY addressed the House. His remarks will appear hereafter in the Appendix.]

SPEAKER EMPOWERED TO DECLARE RECESSES ON MAY 19

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that it may be in order at any time on tomorrow for the Speaker to declare a recess subject to the call of the Chair.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

FLOOR RULES FOR JOINT SESSION, MAY 19

The SPEAKER. The Chair desires to make a statement. After consultation with the majority and the minority leaders of the House and remembering the terrific jam we had upon this floor on previous occasions, with the consent and approval of the floor leaders the Chair announces that on tomorrow during the joint session the door immediately opposite the Speaker will be open and the doors on the Speaker's left and right and none other. No one will be allowed upon the floor of the House who does not have the privilege of the floor of the House.

AMENDING FEDERAL CROP INSURANCE ACT

Mr. COOLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 3825) to amend the Federal Crop Insurance Act.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill, H. R. 3825, to amend the Federal Crop Insurance Act, with Mr. MONROE in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the bill had been considered as read, and all the Committee amendments had been agreed to.

Are there further amendments to the bill?

Mr. COOLEY. Mr. Chairman, I ask unanimous consent that all Members may have the privilege of extending their remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from North Carolina?

Mr. ABBITT. Mr. Chairman, the bill under consideration, H. R. 3825, has for its purpose the amendment of the present Crop Insurance Act by providing a formula for gradual expansion of crop insurance, which was not provided for in the revision of the act of 1947 which act placed the program on an experimental basis, and makes other important changes in the existing law to make it more applicable to the new program which has been developed since the 1947 revision of the act.

The Federal Crop Insurance Corporation came into being in 1938 for the purpose of insuring producers of wheat against loss due to unavoidable causes starting with the 1939 crop. In 1942 cotton was added. In 1944 flax was added on a national basis and other crops on an experimental basis. This program was not a success. Great losses were suffered by the Corporation.

In 1947 the entire crop-insurance law was changed, revamped, and put on a sound and experimentation basis in an endeavor to fulfill two basic requirements:

First. Sound from a business standpoint, that is, capable of paying its own way and operating without loss to the Government.

Second. Offer farmers a type of insurance they want and are willing and able to pay for.

As a result of the 1947 act the insurance program is on an experimental basis with the number of commodities insurable limited and the number of counties in which insurance could be offered limited.

The coverage was limited to an amount somewhere nearer the farmer investment in the crop.

Since the overhaul and revision of the crop-insurance law in 1947, the Corporation has been on a sound basis and has gone about the job of establishing a crop-insurance program under the new law in a forthright and businesslike manner.

Due to the restriction in the number of counties in which insurance could be offered under the experimental program, insurance has been denied to many farmers who wanted it, as well as to a good many counties who had a favorable crop-insurance record. It is believed that the Corporation, although still on an experimental basis, is ready for an orderly expansion of the program of the types of insurance which appear to be on a sound actuarial basis. The development of sound crop insurance is only part of the objective sought by Congress. The other part is the extension of crop insurance as fast as is justified to farmers to whom insurance is not now available. The bill under consideration provides a formula for such expansion. It authorizes as to each type of insurance an increase each year of not to exceed 50 percent of the number of counties in which that type of insurance was available the previous year, beginning in the year 1950. This, of course, does not mean that the insurance in each commodity in the program will be increased 50 percent each year, but this allows for an orderly increase not to exceed that amount, and it is contemplated that the expansion will take place only as the experience of the Corporation and the demand for the insurance justifies.

The present law limits the insurance to not more than seven agricultural commodities, including wheat, cotton, flax, corn, and tobacco and not more than three additional agricultural commodities in each year thereafter. Insurance is limited to producers in not to exceed 200 counties in the case of wheat, 56 counties in the case of cotton, 50 counties each in the case of corn and flax, 35 counties in the case of tobacco, 20 counties in the case of any other agricultural commodity. The present bill provides a new and promising type of crop insurance, tried experimentally in two counties during the 1948 crop year and being expanded to seven counties in 1949, to be known as multiple-crop insurance. In this type of insurance all major crops on the farm may be insured, although the crops are to be considered separately in considering the amount of coverage and premium rate, thereby guaranteeing the farmer a return from all insured crops equal to the amount of his insurance. In other

words, if the return from all crops combined is less than this amount, the farmer is then indemnified the difference, which means that losses are not determined separately on individual crops.

This type of insurance is authorized in 50 counties with the same formula for expansion applying as in the commodity-insurance program.

As has been previously stated, prior to the new act of 1947 going into effect, the crop-insurance program was conducted at considerable loss. Since the new experimental program has been in effect, it has operated on a sound basis. It is thought, therefore, that it is only fair that the loss under the old program be charged off as part of the loss of developing crop insurance on a trial-and-error basis and that the experimental program on which the corporation is now engaged not be burdened with the deficit of the trial-and-error program.

This bill charges off the deficit of approximately \$73,000,000 that was incurred under the old program.

The present law has a provision in it that, if the premiums and reserves on any commodity are not adequate in any year to meet the losses on any commodity, the losses would be paid only on a prorata production basis which means that farmers would have no guaranteed protection in any wide-spread failure and it would not be possible to indemnify a farmer for any loss until the entire loss was known and the claims approved. The present bill remedies that situation.

The present law provides that, starting in 1950, the administrative expenses shall be limited to not in excess of 25 percent of the premium collected the preceding year, which provision was adopted in 1944 while the program was on a Nation-wide basis. We are now on an experimental basis, with the hopes that crop insurance will be expanded. This provision will greatly hamper the expansion program, and since the Congress appropriates annually to cover the needs for the Corporation it appears that there is no need for the present limitation and the bill eliminates this provision.

The present law does not cover insurance on livestock. We have recently experienced what can happen to livestock producers. No insurance is available to them. This act authorized the Corporation to conduct research on livestock insurance.

The present law provides that insurance shall be against loss of the insured commodity while in the field due to unavoidable causes. The present bill leaves out the words "while in the field," which will enable the Corporation to conduct its insurance protection until the crop is ready for market.

In most instances the crop is ready for market when it is threshed or otherwise housed in the field. But this is not true as to every crop, particularly tobacco, which crop is not ready for market until it has remained sometime in the curing barn. This amendment permits the Corporation to insure such crops until they are a marketable commodity and their

value can be determined. There is no available private insurance to cover this phase of the curing of the crops. Due to the fact that disease or insects can cause much damage while the crop is in the barn being cured and made ready for the market.

All in all, it is thought that much progress has been made since the 1947 act. Provisions in this bill will be most helpful in carrying out the intent of the Congress and in expanding a sound, real insurance program that will be of help to the producers of this country.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. MONRONEY, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3825) to amend the Federal Crop Insurance Act, pursuant to House Resolution 212, he reported the same back to the House with sundry amendments adopted in the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

EXTENSION OF REMARKS

Mr. FARRINGTON asked and was given permission to extend his remarks in the RECORD in two instances, in one to include a letter.

TREASURY AND POST OFFICE DEPARTMENT APPROPRIATION BILL, 1950

Mr. GARY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H. R. 3083) making appropriations for the Treasury and Post Office Departments and funds available for Export-Import Bank and the Reconstruction Finance Corporation for the fiscal year ending June 30, 1950, and for other purposes, with Senate amendments thereto; disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Virginia?

Mr. COUDERT. Mr. Speaker, reserving the right to object, on behalf of the minority there is no objection, but I should like to point out that the Senate has raised the House bill beyond all reason and I certainly hope the conference committee will be able to bring back something closely resembling the House bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. GARY, FERNANDEZ, PASSMAN, CANNON, CANFIELD, and COUDERT.

RECESS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the House stand in recess until 1 o'clock.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Accordingly (at 12 o'clock and 28 minutes p. m.) the House stood in recess until 1 o'clock.

AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 1 o'clock p. m.

R. C. OWEN AND OTHERS

Mr. CELLER. Mr. Speaker, I submit a privileged report (No. 611) from the Committee on the Judiciary on the bill (H. R. 1036) for the relief of R. C. Owen, R. C. Owen, Jr., and Roy Owen, which I send to the desk and ask to have read.

The Clerk read as follows:

CONSIDERATION OF H. R. 1036 OVER VETO MESSAGE

Mr. CELLER, from the Committee on the Judiciary, submitted the following report:

The Committee on the Judiciary, to whom was referred the bill (H. R. 1036) for the relief of R. C. Owen, R. C. Owen, Jr., and Roy Owen, former partners doing business as R. C. Owen, of Gallatin, Tenn., together with the objections of the President thereto, having reconsidered said bill and the objections of the President thereto, report the same back to the House with the recommendation that said bill do pass, the objections of the President to the contrary notwithstanding.

This bill, H. R. 1036, provides for payment of the sum of \$8,437.98 to R. C. Owen, R. C. Owen, Jr., and Roy Owen, former partners doing business as R. C. Owen, of Gallatin, Tenn.; such sum represents the amount which they paid to the United States for internal-revenue tobacco stamps; such stamps were completely destroyed on December 24, 1945, when a fire destroyed claimants' factory, together with the equipment, tobacco, and tobacco stamps therein.

These stamps, which were in various denominations, were valued at \$8,437.98, which was the price paid for them by the said manufacturer. The Treasury Department requires the manufacturer, through his collector of internal revenue, to always keep a record reflecting the amount of stamps on hand and that a report of this balance be returned to the collector once each month. The collector did not require that the records show the various denominations of the stamps but only their total value. The report to the collector reflected only the total value. These records were properly kept by the Owens and at the time of the fire showed stamps on hand of the value set forth in this bill, which were completely destroyed by fire. Not only did the records of the Owens show this but the records of the collector's office at Nashville, Tenn., showed the same thing.

Immediately after the fire, R. C. Owen filed claim on form 843 with the collector of internal revenue, Nashville, Tenn., seeking a refund of the value of the stamps or the stamps themselves replaced, as provided for in sections 156 and 3304, title 26, United States Code Annotated. This claim was filed January 10, 1946. At the time of the fire the records of R. C. Owen indicated the exact amount of the stamps on hand, as well as the amount with which R. C. Owen was charged by the collector of internal revenue. Soon after the fire, Mr. S. C. Willis, a deputy

collector for the Nashville, Tenn., office, investigated the fire, acknowledged the loss of these stamps by the fire, and R. C. Owen was given credit against his inventory for these stamps and was no longer charged with them by the collector of internal revenue. This claim has been rejected by the collector of internal revenue and, in turn, rejected by the Commissioner in Washington. The reason given was that heretofore the Secretary of the Treasury ruled that no refund or redemption might be allowed unless the stamps themselves were submitted. However, in this instance, the fire was of an unknown origin and there was no way to submit the stamps or the destruction of the same being supervised by the Commissioner.

The Treasury Department in its report states: "As is commonly known, a person having the misfortune of losing an amount of currency through destruction by fire may recover his loss by claim upon the Government only to the extent that the currency can be submitted in recognizable form for replacement. Obviously, that rule is necessary to protect the Government against fraudulent claims."

The veto message states: "It appears that claimants' firm was a dealer in leaf tobacco and also a manufacturer of certain tobacco products in Gallatin, Tenn. On the night of December 24, 1945, one of the buildings belonging to the firm, part of which was used as a factory and part as a warehouse, was destroyed by fire. According to affidavits submitted by R. C. Owen, Jr., as a member of the firm, the chief of police, and the assistant chief of the fire department, the building, including its contents, was a complete loss. The firm filed a claim with the Bureau of Internal Revenue for the value of the tobacco stamps allegedly on hand in the factory at the time of the fire and therefore destroyed by it, but this claim was disapproved by that Bureau on the ground that under existing law refund could be made only where the stamps were submitted to the Bureau in a recognizable condition or were destroyed under the supervision of a deputy collector."

"A person who loses currency through destruction by fire may recover such loss only to the extent that such currency can be submitted in a recognizable form for replacement. Such rule is necessary to protect the Government against fraudulent claims. A similar situation prevails with regard to postage stamps. The Government does not assume the obligation of an insurer at the time of selling internal-revenue stamps to a taxpayer for subsequent use in payment of a particular excise tax. Enactment of the bill would grant relief to this firm which is not granted to other persons similarly situated, and such special treatment would be discriminatory against taxpayers generally."

"The regulations which prohibit refunds in cases of this type were promulgated with the view to preventing frauds upon the Government. The situation of claimant firm is not different from that of a number of other persons who have been refused refunds because of their inability to comply with the regulations pertaining to such refunds. The Government cannot make refund in the absence of satisfactory proof that the stamps in question were actually destroyed."

"Accordingly, I am unable to approve the bill."

The attention of the House is called to a report submitted to the Committee on the Judiciary, dated August 26, 1948, which states as follows:

"FOR THE RELIEF OF JAMES G. SMYTH (INTERNAL REVENUE COLLECTOR)

"The facts in the case are as follows: On April 6, 1948, Mrs. Idyl Acuff, stamp deputy of the Santa Rosa, Calif., branch office of the first California internal revenue collection district, received a shipment of wine stamps from the main office at San Francisco, Calif.

The shipment consisted of 50,000 stamps of the 60-cent denomination, 50,000 stamps of the \$1.44 denomination, 10,000 stamps of the \$5 denomination, and 100 stamps of the \$500 denomination. The stamps were unwrapped and counted by Mrs. Acuff and found to agree with the invoice. Pending verification of the count, the wrapping were preserved on top of one of the safes, of which there were three in the Santa Rosa office. In storing the stamps, the Santa Rosa office keeps those of large denominations, used for evidencing tax payment on tank lot withdrawals, in a separate manila envelope. To complete storage of the shipment in question, this envelope was taken from the safe for insertion of the \$500 denomination stamps, consisting of 2 sheets of 50 each. The prior contents of the envelope consisted of 31 stamps of the \$3,000 denomination. All evidence points to the fact that through some quirk of fate the envelope was associated with the shipment wrappings which were deposited in a waste basket after verification of their contents. Early the next morning the janitor dumped the contents of the office waste baskets into a pasteboard carton, without examination of the contents, and incinerated the carton in the building furnace."

"Later in the morning of April 7, 1948, the office had an order for a \$3,000 denomination stamp, and, not being able to locate the envelope, Mrs. Acuff and Deputy Collector Walter J. Butler went to the furnace room to examine the wastepaper collection, but which in the meantime had been incinerated. The ashes were raked out, but all paper had been completely consumed by fire."

"This stamp loss was thoroughly investigated by Special Intelligence Agent Anthony Sherman with the conclusion that the stamps were destroyed as stated."

"Shortly after the stamp loss was discovered the Santa Rosa office was checked and examined by Supervisor of Accounts and Collections Frank L. Blote, who found the stamp accounts in perfect condition, except for the shortage of 100 stamps of the \$500 denomination and 31 stamps of the \$3,000 denomination. There was no evidence of the safes having been tampered with or in fact of any theft. Acting District Supervisor J. F. Corridan, alcohol tax unit, will have all \$500 and \$3,000 wine stamps presented for cancellation in his district checked against purchase orders as a cautionary measure."

"This department is satisfied that the Government has suffered no loss in this case and recommends that bill H. R. 6562 for the relief of James G. Smyth be favorably considered."

The committee is unable to reconcile these two reports. Public Law No. 321 of the Eightieth Congress is as follows:

"That the General Accounting Office is authorized, after consideration of the pertinent findings and if in concurrence with the determinations and recommendations of the head of the department or independent establishment concerned, to relieve any disbursing or other accountable officer or agent or former disbursing or other accountable officer or agent of any such department or independent establishment of the Government charged with responsibility on account of physical loss or deficiency of Government funds, vouchers, records, checks, securities, or papers in his charge, if the head of the department or independent establishment determines (1) that such loss or deficiency occurred while such officer or agent was acting in the discharge of his official duties, or that such loss or deficiency occurred by reason of the act or omission of a subordinate of such officer or agent; and (2) that such loss or deficiency occurred without fault or negligence on the part of such officer or agent. This act shall be applicable only to the actual physical loss or deficiency of Government funds, vouchers, records, checks, securities, or papers, and shall not include

deficiencies in the accounts of such officers or agents resulting from illegal or erroneous payments."

And relief has been given many Government employees under this law. However, there is no law to give relief to private business, and it would appear to the Committee that it is discriminatory for the departments to give relief to Federal employees and to oppose legislation which passed the Congress for the relief of private business."

The report in connection with relief for James G. Smyth, collector for the Bureau of Internal Revenue for the west California district, is not consistent with the report and veto on H. R. 1036 for the relief of the R. C. Owen Tobacco Co. Also, in this report it is stated that the Department was satisfied that the Government had suffered no loss in this case and recommended that it be given favorable consideration. The Committee on the Judiciary is unable to see where the Government had any loss in the R. C. Owen Tobacco Co. claim. The amount in which the Treasury Department desires to relieve Mr. Smyth is \$143,000, while the Owen claim amounts to only \$8,437.98. The Treasury Department also states that to give the Owen's relief would be giving special treatment in discrimination against taxpayers generally. It would appear that the same situation should apply to Mr. Smyth, the internal-revenue collector of California. However, the Department doesn't appear to feel that way about the matter.

[H. Doc. 161, 81st Cong., 1st sess.]

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES, RETURNING WITHOUT APPROVAL A BILL (H. R. 1036) FOR THE RELIEF OF R. C. OWEN, R. C. OWEN, JR., AND ROY OWEN

To the House of Representatives:

I return herewith, without my approval, the enrolled bill (H. R. 1036) for the relief of R. C. Owen, R. C. Owen, Jr., and Roy Owen.

The bill provides for payment of the sum of \$8,437.98, to R. C. Owen, R. C. Owen, Jr., and Roy Owen, former partners doing business as R. C. Owen, of Gallatin, Tenn., which sum represents the amount they paid to the United States for internal-revenue tobacco stamps, which stamps were completely destroyed on December 24, 1945, when a fire destroyed claimants' factory, together with the equipment, tobacco, and tobacco stamps therein.

It appears that claimants' firm was a dealer in leaf tobacco and also a manufacturer of certain tobacco products in Gallatin, Tenn. On the night of December 24, 1945, one of the buildings belonging to the firm, part of which was used as a factory and part as a warehouse, was destroyed by fire. According to affidavits submitted by R. C. Owen, Jr., as a member of the firm, the chief of police, and the assistant chief of the fire department, the building including its contents, was a complete loss. The firm filed a claim with the Bureau of Internal Revenue for the value of the tobacco stamps allegedly on hand in the factory at the time of the fire and therefore destroyed by it, but this claim was disapproved by that Bureau on the ground that under existing law refund could be made only where the stamps were submitted to the Bureau in a recognizable condition or were destroyed under the supervision of a deputy collector.

A person who loses currency through destruction by fire may recover such loss only to the extent that such currency can be submitted in a recognizable form for replacement. Such rule is necessary to protect the Government against fraudulent claims. A similar situation prevails with regard to postage stamps. The Government does not assume the obligation of an insurer at the time of selling internal-revenue stamps to a taxpayer for subsequent use in payment of

81ST CONGRESS
1ST SESSION

H. R. 3825

IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, APRIL 11), 1949

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To amend the Federal Crop Insurance Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection (a) of section 508 of the Federal Crop
4 Insurance Act, as amended, is amended to read as follows:
5 “(a) Commencing with crops planted for harvest in
6 1948, for the purpose of determining the most practical
7 plan, terms, and conditions of insurance for agricultural
8 commodities, if sufficient actuarial data are available, as
9 determined by the Board, to insure, or to reinsure insurers
10 of, producers of such agricultural commodities under any
11 plan or plans of insurance determined by the Board to be

1 adapted to any such commodity. Such insurance shall be
2 against loss of the insured commodity due to unavoidable
3 causes, including drought, flood, hail, wind, frost, winter-
4 kill, lightning, fire, excessive rain, snow, wildlife, hurricane,
5 tornado, insect infestation, plant disease, and such other
6 unavoidable causes as may be determined by the Board.
7 In 1948 insurance shall be limited to not more than seven
8 agricultural commodities (including wheat, cotton, flax,
9 corn, and tobacco) and to not more than three additional
10 agricultural commodities in each year thereafter: *Provided*,
11 That other agricultural commodities may be included in
12 multiple crop insurance (insurance on two or more agri-
13 cultural commodities under one contract with a producer).
14 Insurance shall be limited to producers in not to exceed two
15 hundred counties in the case of wheat, fifty-six counties in
16 the case of cotton, fifty counties each in the case of corn and
17 flax, thirty-five counties in the case of tobacco, twenty
18 counties in the case of any other agricultural commodity,
19 and, in addition, fifty counties in the case of multiple
20 crop insurance: *Provided*, That, beginning with crops
21 planted for harvest in 1950, the number of counties for
22 insurance on wheat, cotton, corn, flax, and tobacco, and for
23 multiple crop insurance may be increased each year by
24 not in excess of 50 per centum of the number of counties
25 in which such insurance was provided the previous year

1 and the county limitations specified for other insurance may
2 be similarly increased as to any agricultural commodity after
3 insurance for such commodity has been provided for three
4 years. Reinsurance for private insurance companies shall
5 be limited to not to exceed twenty counties which may be
6 selected without regard to the other county limitations speci-
7 fied herein. Any insurance offered against loss in yield
8 shall not cover in excess of 75 per centum of the recorded
9 or appraised average yield of the commodity on the insured
10 farm for a representative period subject to such adjustments
11 as the Board may prescribe to the end that the average
12 yields fixed for farms in the same area, which are subject
13 to the same conditions, may be fair and just: *Provided*,
14 That if 75 per centum of the average yield represents gen-
15 erally more protection than the investment in the crop in any
16 area, taking into consideration recognized farming practices,
17 the Board shall reduce such maximum percentage so as more
18 nearly to reflect the investment in the crop in such area.
19 Insurance provided under this subsection shall not cover
20 losses due to the neglect or malfeasance of the producer,
21 or to the failure of the producer to reseed to the same crop
22 in areas and under circumstances where it is customary to
23 so reseed, or to the failure of the producer to follow estab-
24 lished good farming practices. Counties selected by the
25 Board shall be representative of the several areas where

1 the agricultural commodity insured is normally produced.
2 The Board may limit or refuse insurance in any county or
3 area, or on any farm, on the basis of the insurance risk
4 involved. Insurance shall not be provided in any county
5 unless written applications therefor are filed covering at
6 least two hundred farms or one-third of the farms normally
7 producing the agricultural commodity, excluding farms re-
8 fused insurance on the basis of the risk involved; nor shall
9 insurance on any agricultural commodity be provided in
10 any county in which the Board determines that the income
11 from such commodity constitutes an unimportant part of the
12 total agricultural income of the county. The Corporation
13 shall report annually to the Congress the results of its opera-
14 tions as to each commodity insured.”

15 SEC. 2. Subsection (b) of section 508 of the Federal
16 Crop Insurance Act, as amended, is amended by striking
17 out the proviso in the second sentence and the colon which
18 precedes it and substituting a period therefor.

19 SEC. 3. Subsection (c) of section 508 of the Federal
20 Crop Insurance Act, as amended, is amended to read as
21 follows:

22 “(c) To adjust and pay claims for losses in the agri-
23 cultural commodity or in cash, under rules prescribed by the
24 Board: *Provided*, That indemnities may be determined on
25 the same price basis as premiums are determined for the

1 crop with respect to which such indemnities are paid. The
2 Corporation shall provide for the posting annually in each
3 county at the county courthouse of a list of indemnities paid
4 for losses on farms in such county. In the event that any
5 claim for indemnity under the provisions of this title is
6 denied by the Corporation, an action on such claim may be
7 brought against the Corporation in the United States district
8 court, or in any court of record of the State having general
9 jurisdiction, sitting in the district or county in which the
10 insured farm is located, and jurisdiction is hereby conferred
11 upon such district courts to determine such controversies
12 without regard to the amount in controversy: *Provided*, That
13 no suit on such claim shall be allowed under this section
14 unless the same shall have been brought within one year
15 after the date when notice of denial of the claim is mailed
16 to and received by the claimant.”

17 SEC. 4. Subsection (a) of section 504 of the Federal
18 Crop Insurance Act is amended by striking out the second
19 sentence thereof.

20 SEC. 5. The Secretary of the Treasury is hereby
21 authorized and directed to cancel, without consideration, out-
22 standing receipts for payments for or on account of the stock
23 of the Corporation in excess of \$27,000,000.

24 SEC. 6. Subsection (b) of section 504 of the Federal
25 Crop Insurance Act is amended to read as follows:

1 “(b) There is hereby authorized to be appropriated
2 such sums as are necessary for the purpose of subscribing
3 to the capital stock of the Corporation.”

4 SEC. 7. Subsection (c) of section 505 of the Federal
5 Crop Insurance Act, as amended, is amended by striking out
6 the second sentence and inserting in lieu thereof the follow-
7 ing: “The members of the Board who are not employed by
8 the Government shall be paid such compensation for their
9 services as directors as the Secretary of Agriculture shall
10 determine, but such compensation shall not exceed \$50
11 per day each when actually employed and transportation
12 expenses plus not to exceed \$10 per diem in lieu of sub-
13 sistence expenses when on business of the Corporation
14 away from their homes or regular places of business.”

15 SEC. 8. Subsection (h) of section 506 of the Federal
16 Crop Insurance Act, as amended, is amended to read as
17 follows:

18 “(h) may conduct researches, surveys, and investi-
19 gations relating to crop and livestock insurance and shall
20 assemble data for the purpose of establishing sound
21 actuarial bases for insurance on agricultural commodi-
22 ties and livestock.”

23 SEC. 9. Section 518 of the Federal Crop Insurance
24 Act, as amended, is amended by striking therefrom the
25 words “determined by the Board pursuant to subsection (a)

1 (2) of section 508 of this title” and substituting therefor
2 the words “determined by the Board pursuant to subsection
3 (a) of section 508 of this title”.

4 SEC. 10. Subsection (a) of section 507 of the Federal
5 Crop Insurance Act is amended to read as follows:

6 “(a) The Secretary shall appoint such officers and em-
7 ployees as may be necessary for the transaction of the
8 business of the Corporation pursuant to civil-service laws
9 and regulations, fix their compensation in accordance with
10 the provisions of the Classification Act of 1923, as amended,
11 define their authority and duties, delegate to them such of
12 the powers vested in the Corporation as he may determine,
13 require bond of such of them as he may designate, and fix
14 the penalties and pay the premiums of such bonds: *Provided*,
15 That personnel paid by the hour, day, or month when
16 actually employed, and county crop insurance committee-
17 men may be appointed and their compensation fixed without
18 regard to civil-service laws and regulations or the Classi-
19 fication Act of 1923, as amended.”

Passed the House of Representatives May 18, 1949.

Attest:

RALPH R. ROBERTS,

Clerk.

AN ACT

To amend the Federal Crop Insurance Act.

MAY 19 (legislative day, APRIL 11), 1949

Read twice and referred to the Committee on
Agriculture and Forestry

FEDERAL CROP INSURANCE

JUNE 27 (legislative day, JUNE 2), 1949.—Ordered to be printed

Mr. HOEY, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany H. R. 3825]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 3825) to amend the Federal Crop Insurance Act, having considered same, report thereon with a recommendation that it do pass with amendments.

On page 2, line 21, after the figure "1950", add the following: "and continuing through the crops planted for harvest in 1951, 1952, and 1953".

On page 2, line 25, strike out the words "the previous year" and insert in lieu thereof the following: "in 1948".

At the end of the bill, add the following new section:

SEC. 11. The expanded program authorized herein shall be instituted beginning with the 1950 crop year, the additional cost for fiscal year 1950 to be financed, pending the appropriation of supplemental funds, from any appropriation available for operating and administrative expenses of the Corporation for such fiscal year.

A subcommittee was appointed for consideration of the bill and its report is attached hereto and made a part of this report. Also attached is the report of the House Committee on Agriculture (H. Rept. No. 420) as a part of this report.

JUNE 10, 1949.

HON. ELMER THOMAS,

*Chairman, Committee on Agriculture and Forestry,
United States Senate, Washington, D. C.*

MY DEAR SENATOR: The subcommittee which you appointed to consider H. R. 3825, to amend the Federal Crop Insurance Act, considered this matter carefully and examined the measure as passed by the House, together with a report of the House committee, giving an analysis of this bill.

After full consideration, the committee decided unanimously to report this bill favorably with the following amendments:

Amend this bill on page 2, line 21, by adding after the words "1950", the following, "and continuing through the crops planted for harvest in 1951, 1952, and 1953".

To amend further, by striking out on page 2, line 25, the words "the previous year" and inserting in lieu thereof, the words "in 1948".

With these amendments, our subcommittee respectfully recommends a favorable report on this bill.

Yours very truly,

CLYDE R. HOEY,
Chairman of the Subcommittee.

Page 6, line 24, following the word "crop", insert the words "and livestock".

Page 7, line 2, after the word "commodities", insert the words "and livestock".

Page 7, line 3, change "SEC. 10" to "SEC. 9".

Page 7, after line 8, add the following new section:

SEC. 10. Subsection (a) of section 507 of the Federal Crop Insurance Act is amended to read as follows:

"(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: *Provided*, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended."

STATEMENT

This bill (H. R. 3825) amends the Crop Insurance Act by providing a formula for the gradual expansion of crop insurance, which was not provided for in the revision of the act of August 1, 1947, placing the program on an experimental basis, and makes other changes in the existing law to make it more applicable to the new program which has been developed since the 1947 revision of the act.

HISTORY OF FEDERAL CROP INSURANCE

The Federal Crop Insurance Corporation was created in 1938 with authority to insure producers of wheat against loss due to unavoidable causes, commencing with the 1939 crop. Then, as today, private companies did not offer this type of insurance. Although the commodity produced by the farmer could be covered by insurance throughout the whole channel of processing, transportation, and distribution until it reached the consumer, insurance was not available to the producer against the many risks of production. Yet the producer's risk is relatively far greater than the risks incurred in processing, transportation, and distribution. It was in recognition of this situation that the Federal Crop Insurance Act was adopted in 1938.

After 3 years of experience with wheat insurance, the Corporation was authorized to insure cotton, starting with the 1942 crop. By 1943 the program had operated at a loss each year and Congress did not provide funds for insurance on the 1944 crop, except for liquidation of prior years' contracts. In December 1944, however, the insurance program was reinstated as to wheat and cotton and extended to permit the insuring of flax on a national basis and other commodities on a trial basis. Following this reinstatement of the insurance the experience was varied, with premium surpluses earned on some commodities and with losses in excess of premiums on others.

A more complete discussion of the early experiences and difficulties of crop insurance will be found in House Report No. 470, Eightieth Congress, first session.

In 1947, faced with the complete collapse of the crop-insurance program provided by the then existing legislation, the Committee on

Agriculture conducted extensive hearings on the subject and completely revised the crop-insurance law. This legislation was passed by the Congress and approved by the President on August 1, 1947. The committee's objective and purpose in amending the act is best stated by the following quotation from its report (H. Rept. No. 470, referred to above):

If crop insurance is to succeed in the United States, it must fulfill two basic requirements: (1) It must be sound from a business standpoint—capable of “paying its own way” and operating without loss to the Government; (2) it must offer farmers a type of insurance they want and are willing and able to pay for.

The committee believes that it is possible eventually to write crop insurance that will meet both these basic qualifications. It does not believe that this can be accomplished overnight nor that it is reasonable to expect that a half-dozen crop seasons of experience will achieve for crop insurance what it took other forms of commodity insurance many years of trial and error to develop. The committee is convinced, however, that the best interests of farmers themselves will be most truly served if the Public Treasury is protected against excessive loss, by curtailment of the insurance program during its development period to the smallest scale consistent with effective experimentation, and expanding it later only when experience had indicated that a sound insurance plan has been worked out.

THE EXPERIMENTAL PROGRAM

The 1947 revision of the act made a number of important changes in the scope and nature of the crop insurance program:

(1) It put the whole program on an experimental basis, limiting the number of commodities for which the Corporation could write insurance and the number of counties in which such insurance could be offered.

(2) It limited the coverage to an amount roughly equivalent to the farmer's investment in the crop.

(3) It broadened considerably the authority of the Corporation to try various types and kinds of insurance with a view to developing those types which can be used most successfully for crop-insurance purposes.

(4) It authorized insurance on an established-price basis, thus eliminating the necessity for the Corporation purchasing quantities of commodities equal to its premiums and engaging in hedging operations.

(5) It authorized, among other possible plans, the issuance of insurance through area associations of farmers which would bear part of the responsibility of insurance.

(6) It encouraged the entry of private insurance companies into the crop-insurance field by authorizing the Corporation to reinsure private companies to a limited extent.

DEVELOPMENTS UNDER THE NEW LAW

The committee feels that the experience with crop insurance under the new law has been most encouraging. The year 1948 was, of course, an excellent one for most crops in the United States and the committee is not so much impressed with the fact that premiums in that year's program amounted to about \$12,500,000, while the losses amounted to only about \$5,200,000, as it is with the sound basis on which the Corporation has gone about the job of establishing a crop-insurance program under the new law. The committee feels that those responsible for the Corporation's administrative policies are to be commended for the

manner in which they have discarded previous practices and procedures where necessary, and have undertaken in a wholehearted and most cooperative manner to put into operation the intent of Congress as stated in the act of August 1, 1947.

LIMITED EXPANSION JUSTIFIED

The committee was aware when it sharply restricted the number of counties in which insurance could be offered under the experimental program that it was denying insurance to many farmers who wanted it and to a good many counties which had a favorable crop-insurance record. While the program must be regarded as still on an experimental basis, the committee believes that it is desirable to permit an orderly expansion from year to year of the types of insurance which appear to be on a sound actuarial basis.

Under the present law, insurance is available to farmers in only approximately 400 counties and there is no provision for expansion except into new commodities. The development of sound crop insurance is only part of the objective sought by Congress. The other part is the extension of crop insurance as rapidly as experience justifies to farmers to whom crop insurance is not now available. This bill provides a formula for such expansion. It authorizes, as to each type of insurance, an increase each year of not to exceed 50 percent of the number of counties in which that type of insurance was offered during the preceding year.

It is the understanding of the committee that the expansion will take place within this limitation only as rapidly as the experience of the Corporation and the demand for the insurance justifies, and that in selecting new counties for such expansion the Corporation will continue to be guided by the policy that such counties will be selected in a manner representative of the major producing areas of the country and also representative of the various types and degrees of risk involved. At the maximum rate of expansion herein authorized, it would take from 5 to 10 years to provide insurance to all counties, depending upon the specific commodity insured and the type of insurance offered.

MULTIPLE CROP INSURANCE

* The committee gives recognition in this bill to a new and promising type of crop insurance, tried experimentally by the Corporation in two counties during the 1948 crop year and being expanded to seven counties in 1949. This is a comprehensive crop-insurance policy known as multiple crop insurance. Under this policy all the major crops on a farm are insured. While the crops on the farm are considered separately in establishing the amount of coverage and premium rate, the insurance contract is farm-wide, guaranteeing the farmer a return from all the insured crops equal to the amount of his insurance. If the production from all crops combined is less than this amount, the farmer is indemnified. Loss is not determined separately on individual crops, and profits earned from large yields on some crops may be used to offset severe losses on other crops.

This type of crop insurance is highly desirable in diversified farming areas where insurance of one or two crops separately would not give the farmer adequate protection against loss on his farming operations.

The committee feels that this type of crop insurance may ultimately be the type used in much of the country and feels that experimentation on this type of program should be pushed forward rapidly. The committee believes also that in developing this type of insurance, special attention should be given to including those crops which are soil building in character and which are the most valuable in a sound conservation program. To facilitate the development of "multiple crop insurance" the committee has provided that it be recognized in the legislation as separate from the commodity-insurance programs and not be restricted by the limitation that provides that only three new commodities may be added annually. This type of insurance is authorized in 50 counties; beyond that limit the same formula for expansion applies as in the commodity-insurance programs.

LIQUIDATION OF PREVIOUS LOSSES

From the start of the crop-insurance program in 1939 through the year 1947 a deficit of approximately \$73,000,000 was incurred in program operations. This loss was incurred while the program was on a Nation-wide scale and before the experimental program authorized in 1947 was instituted. It included 7 years of net losses to the Corporation and 1 year (1947) of net profit. The committee believes that this loss should be charged off as part of the cost of developing crop insurance on a trial-and-error basis and that the experimental program on which the Corporation is now engaged should not be burdened with the deficits of the earlier Nation-wide program.

One of the important parts of the new crop-insurance program is that of building up earned surplus reserves not only on the books of the national corporation, but to the credit of each participating county. It will be a tremendous handicap to the program and an injustice to the relatively few farmers who are taking part in the experimental program if they must first overcome the \$73,000,000 deficit incurred under the previous system before they can build up any earned reserves under the new program. The committee has included in this bill, therefore, the authority and direction for the Secretary of the Treasury to write off the \$73,000,000 deficit incurred prior to 1948.

PRORATING LOSSES

When the Federal Crop Insurance Act was amended in 1944 and the program reinstated after a lapse of 1 year in operation, two provisions were inserted in the act which were not made applicable until 1950. One of these provisions was that if the premiums and reserves on any commodity were not adequate in any year to meet the losses on the commodity the losses would be paid only on a pro rata reduced basis.

This provision would make it necessary to offer farmers insurance contracts without a face value. Farmers would have no guaranteed protection in years of widespread crop failure. In such years when many farmers would need indemnity for loss of their crop the amount of indemnity would be severely reduced by prorating. On the other hand, in years of fairly good crops those few farmers who suffered losses would be paid in full because the prorating would not apply that year.

Furthermore, it would not be possible to indemnify a farmer for a loss until all claims had been submitted and the total loss claims determined. It might be a year or more after harvest before the farmer could be indemnified for a loss. Time is the essence of any insurance. The indemnity funds must be available to the insured when he needs them. It is doubtful that farmers would want such insurance. The committee believes that this provision was put in the act as a last resort in the event that a sound program could not be developed and that it should now be removed.

ADMINISTRATIVE EXPENSES

The other provision applicable in 1950 was that administrative expenses should be limited to an amount not in excess of 25 percent of the premiums collected for the preceding year. This provision was adopted in 1944 when the crop-insurance program was still on a Nation-wide basis and premium income was at a much higher level than under the limited experimental program. Under the experimental program administrative costs are certain to run considerably higher than they will after the program has been developed and expenses for various types of experimentation and planning are no longer necessary. Furthermore, under an expanding program which will gradually make crop insurance available to more and more farmers, operations each year would naturally be somewhat larger than in the preceding year, which would be used as a base. Since the Congress appropriates annually the funds for the administrative expenses of the Corporation it appears to the committee that there is no need for the present limitation. An additional consideration is that one of the largest items of administrative expense is that of loss adjustment, and that in a year of uniformly heavy crop losses throughout the country an arbitrary limitation which would prevent the employment of sufficient personnel to examine loss claims would offer poor protection to the capital of the Corporation.

GENERAL ACCOUNTING OFFICE RECOMMENDS CHANGES

In the hearing on the bill, a representative of the General Accounting Office appeared at the invitation of the committee and stated that the GAO recommends enactment of the provisions in the bill relating to the cancellation of the \$75,000,000 deficit the Corporation incurred prior to 1948, the section eliminating the prorata payment of losses after 1950, and the section removing the limitation on administrative expenses.

LIVESTOCK

During recent months severe storms and heavy snows in the western area of the country have resulted in large losses of livestock. In the case of many individual producers the loss has destroyed their investment and will leave them in debt. Without insurance protection of some kind against repetition of such losses, financing agencies in many cases will be reluctant to advance credit for livestock production. There is no private insurance available. Many livestock producers and their organizations are interested in the possibilities of developing some type of insurance to meet their needs and furnishing protection against severe catastrophes of this nature. They have asked that the

Federal Crop Insurance Corporation give consideration to livestock insurance. This committee has expanded the provision of the Federal Crop Insurance Act which authorizes research on crop insurance to include research on livestock insurance. It feels that no consideration should be given at this time to attempting actually to insure livestock but that in view of the needs of farmers for this type of insurance research should be in progress along that line.

ANALYSIS OF THE BILL ¹

Section 1: Amends subsection (a) of section 508 of the act to provide for an annual increase in the number of counties in which the insurance now offered by the Corporation can be written. The crop-insurance program is thus continued on the experimental basis in effect since 1947 and at the same time provision is made for steps toward the ultimate objective of a sound insurance program available to all farmers.

Page 2, line 2: The words "while in the field" have been deleted to enable the Corporation to continue its insurance protection until the production or value of the crop is ascertainable. The Corporation has no authority to insure farm commodities beyond the point where they are ready to market. In the case of most crops, this occurs when the crop is threshed or otherwise harvested in the field. In the case of a few crops, however—particularly tobacco—the crop is not ready for market until it has remained some time in a curing barn. This amendment permits the Corporation to insure such crops until they are a marketable commodity and their value can be determined.

Page 2, lines 10 to 13: The proviso recognizes under the name "multiple crop insurance" a type of insurance under which two or more agricultural commodities are insured under one contract. This type of insurance is designed for diversified farming areas and has already been tried in a small number of counties with results which indicate it should be extended as experience justifies.

Page 2, lines 14 to 20: This provision restates the existing county limitations for the various commodities and adds 50 multiple crop-insurance counties. The 1948 authorization remains as the base for the experimental program.

Page 2, line 20 to page 3, line 4: The proviso permits the Corporation, beginning with crops planted for harvest in 1950, to increase annually the number of counties in which insurance on a crop may be offered by not in excess of 50 percent of the number of counties in which insurance was provided the previous year.

Page 4, lines 7 and 8: The words "excluding farms refused insurance on the basis of the risk involved" have been added. This addition permits the Corporation to disregard farms determined by it to be bad insurance risks in determining the minimum participation requirements contained in the act. This change is consistent with the existing limitations as to minimum participation.

The remaining provisions of the subsection are the same although there has been some rearrangement.

Section 2. This section strikes from subsection (b) of section 508 the provision under which the administrative expenses of the Corporation are restricted, after the crop year 1949, to a sum equivalent to 25 percent of the premiums collected in the preceding year. This limitation on administrative expenses was enacted when the program

was operating on a national basis, and are incompatible with proper administration and development of the experimental program authorized by the act.

Section 3. This section amends subsection (c) of section 508 by deleting from the subsection the provision which requires the prorating of losses beginning with the crop year 1950.

Sections 4, 5, and 6: These sections write from the Corporation's books the losses suffered before the program was placed on an experimental basis in 1947. The effect is to relieve the present program of the capital impairment incurred while the Corporation provided, without any previous experience, high-coverage insurance on a national basis in accordance with the original concept of crop insurance. Elimination of the national program deficit will permit the present program to be developed and administered on its own merits.

Section 7. The compensation which may be paid members of the Corporation's Board of Directors who are not employed by the Government is reduced from not in excess of \$100 to not more than \$50 a day, reflecting the present practice, and the subsistence which may be paid to such directors is changed from "necessary expenses" to a per diem not to exceed \$10.

Section 8: This section amends subsection (h) of section 506 to remove obsolete language and to provide for the Corporation making a study of the possibility of developing some type of livestock insurance. The inclusion of livestock was made in response to requests from livestock producers.

Section 9: This section corrects a clerical error in the act.

Section 10: This section amends subsection (a) of section 507 to exempt from the Ramspeck Act (54 Stat. 1211) personnel paid by the hour, day, or month when actually employed, and county crop-insurance committeemen. The compensation of the excepted personnel may be fixed under the Classification Act of 1923, as amended. The exceptions are necessary to adapt the local administration of the insurance program to local conditions and to provide the flexibility necessary for successful operation.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in *roman*):

FEDERAL CROP INSURANCE ACT, AS AMENDED

Act of February 16, 1938 (52 Stat. 72)

SEC. 508. To carry out the purposes of this title the Corporation is authorized and empowered—

[(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity: *Provided*, That reinsurance for private insurance companies shall be limited to contracts covering farms in not to exceed twenty counties selected by the Board. Such insurance shall be against loss of the

insured commodity while in the field due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided*, That if 75 per centum of the average yield represents generally more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. In 1948 insurance shall be limited to not more than seven crops (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional crops in each year thereafter. Insurance provided for any agricultural commodity, except wheat, cotton, flax, corn, and tobacco, shall be limited to producers in not to exceed twenty counties. Insurance for wheat, cotton, corn, flax, and tobacco shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, and thirty-five counties in the case of tobacco. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity; nor shall insurance of any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured.】

(a) *Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winter-kill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: Provided, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, thirty-five counties in the case of tobacco, twenty counties in the case of any other agricultural commodity, and, in addition, fifty counties in the case of multiple crop insurance: Provided, That, beginning with crops planted for harvest in 1950, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties in which such insurance was provided the previous year and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for three years. Reinsurance for private insurance companies shall be limited to not to exceed twenty counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: Provided, That if 75 per centum of the average yield represents generally more*

protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured.

(b) To fix adequate premiums for insurance in the agricultural commodity or in cash, at such rates as the Board deems sufficient to cover claims for crop losses on such insurance and to establish as expeditiously as possible a reasonable reserve against unforeseen losses: *Provided*, That such premiums may be established on the basis of the parity or comparable price for the commodity as determined and published by the Secretary of Agriculture, or on the basis of an average market price designated by the Board. Such premiums shall be collected at such time or times, or shall be secured in such manner, as the Board may determine: *Provided*, That, after the crop year of 1949, not more than a sum equivalent to 25 per centum of the premiums collected in the preceding year (beginning calculation of premiums collected in the crop year of 1949) shall be used for administrative expenses in any current operating year].

(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided*, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid : *Provided*, further, That, after the crop year of 1949, if the total amount of accumulated claims for losses on any agricultural commodity for any year exceeds the total amount of the premiums collected less the accumulated premium reserves of the Corporation with respect to any such commodity, (which reserves, after the crop year of 1948, shall not be less than 10 per centum of the premiums collected on such commodity), such claims shall be paid on a pro rata reduced basis]. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant.

(d) From time to time, in such manner and through such agencies as the Board may determine, to purchase, handle, store, insure, provide storage facilities for, and sell the agricultural commodity, and pay any expenses incidental thereto, it being the intent of this provision, however, that, insofar as practicable, the Corporation shall purchase the agricultural commodity only at the rate and to a total amount equal to the payment of premiums in cash by farmers or to replace promptly the agricultural commodity sold to prevent deterioration; and shall sell the agricultural commodity only to the extent necessary to cover payments of indemnities and to prevent deterioration: *Provided*, however, That nothing in this section shall prevent prompt off-set purchases and sales of the agricultural commodity for convenience in handling. Nothing in this section shall prevent the Corporation from accepting, for the payment of premiums, notes payable in the commodity insured, or the cash equivalent, upon such security as may be determined pursuant to section (b) of this section, and from purchasing the quantity of the commodity represented by any of such notes not paid at maturity. The restriction on the purchase and sale of the agricultural commodity provided in

this section shall be made a part of any crop insurance agreement made under this title. Notwithstanding any provision of this title, there shall be no limitation upon the legal or equitable remedies available to the insured to enforce against the Corporation the foregoing restriction with respect to purchases and sales of the agricultural commodity.

SEC. 504. (a) The Corporation shall have a capital stock of \$100,000,000 subscribed by the United States of America, payment for which shall, with the approval of the Secretary of Agriculture, be subject to call in whole or in part by the Board of Directors of the Corporation. [Any impairment of the capital stock described in this subsection shall be restored only out of operating profits of the Corporation.]

(b) There is hereby authorized to be appropriated [not more than \$100,000,000 for the purpose of subscribing to said stock. No part of such sum shall be available prior to July 1, 1938. The appropriation for such purpose for the fiscal year ending June 30, 1939, shall not exceed \$20,000,000 and shall be made only out of the unexpended balances for the fiscal year ending June 30, 1938, of the sums appropriated pursuant to section 15 of the Soil Conservation and Domestic Allotment Act, as amended.] *such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation.*

SEC. 505. (c) The Directors of the Corporation who are employed in the Department of Agriculture shall receive no additional compensation for their services as such Directors but may be allowed necessary traveling and subsistence expenses when engaged in business of the Corporation, outside of the District of Columbia. The members of the Board who are not employed by the Government shall be paid such compensation for their services as Directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed [\$100] \$50 per day each when actually employed [and necessary traveling and subsistence expenses when engaged in] *and transportation expenses plus not to exceed \$10 per diem in lieu of subsistence expenses when on business of the Corporation away from their homes or regular places of business.*

SEC. 506. The Corporation—

(h) may conduct researches, surveys, and investigations relating to crop and livestock insurance and [preparatory to the application of the Act to other basic commodities when so provided by law, shall assemble data relative to field corn,] *shall assemble data for the purpose of establishing [a satisfactory] sound actuarial [basis] bases for [such commodity] insurance on agricultural commodities and livestock.*

SEC. 518. "Agricultural Commodity," as used in this title, means wheat, cotton, flax, corn, dry beans, oats, barley, rye, tobacco, rice, peanuts, soybeans, sugar beets, sugarcane, timber and forests, potatoes and other vegetables, citrus and other fruits, tame hay, or any other agricultural commodity determined by the Board pursuant to subsection (a) [(2)] of section 508 of this title, or any one or more of such commodities, as the context may indicate.

SEC. 507. [(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation, which appointments may be made without regard to the civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds. The appointment of officials and the selection of employees by the Secretary shall be made only on the basis of merit and efficiency.] (a) *The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: Provided, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923 as amended.*

Calendar No. 590

81ST CONGRESS
1ST SESSION

H. R. 3825

[Report No. 592]

IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, APRIL 11), 1949

Read twice and referred to the Committee on Agriculture and Forestry

JUNE 27 (legislative day, JUNE 2), 1949

Reported by Mr. HOEX, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To amend the Federal Crop Insurance Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsection (a) of section 508 of the Federal Crop
4 Insurance Act, as amended, is amended to read as follows:
5 “(a) Commencing with crops planted for harvest in
6 1948, for the purpose of determining the most practical
7 plan, terms, and conditions of insurance for agricultural
8 commodities, if sufficient actuarial data are available, as
9 determined by the Board, to insure, or to reinsure insurers
10 of, producers of such agricultural commodities under any
11 plan or plans of insurance determined by the Board to be

1 adapted to any such commodity. Such insurance shall be
2 against loss of the insured commodity due to unavoidable
3 causes, including drought, flood, hail, wind, frost, winter-
4 kill, lightning, fire, excessive rain, snow, wildlife, hurricane,
5 tornado, insect infestation, plant disease, and such other
6 unavoidable causes as may be determined by the Board.
7 In 1948 insurance shall be limited to not more than seven
8 agricultural commodities (including wheat, cotton, flax,
9 corn, and tobacco) and to not more than three additional
10 agricultural commodities in each year thereafter: *Provided*,
11 That other agricultural commodities may be included in
12 multiple crop insurance (insurance on two or more agri-
13 cultural commodities under one contract with a producer).
14 Insurance shall be limited to producers in not to exceed two
15 hundred counties in the case of wheat, fifty-six counties in
16 the case of cotton, fifty counties each in the case of corn and
17 flax, thirty-five counties in the case of tobacco, twenty
18 counties in the case of any other agricultural commodity,
19 and, in addition, fifty counties in the case of multiple
20 crop insurance: *Provided*, That, beginning with crops
21 planted for harvest in 1950, *and continuing through the crops*
22 *planted for harvest in 1951, 1952, and 1953*, the number
23 of counties for insurance on wheat, cotton, corn, flax, and to-
24 bacco, and for multiple crop insurance may be increased each
25 year by not in excess of 50 per centum of the number of coun-

1 ties in which such insurance was provided ~~the previous year~~
2 *in 1948* and the county limitations specified for other insur-
3 ance may be similarly increased as to any agricultural com-
4 modity after insurance for such commodity has been provided
5 for three years. Reinsurance for private insurance com-
6 panies shall be limited to not to exceed twenty counties
7 which may be selected without regard to the other county
8 limitations specified herein. Any insurance offered against
9 loss in yield shall not cover in excess of 75 per centum of
10 the recorded or appraised average yield of the commodity
11 on the insured farm for a representative period subject to
12 such adjustments as the Board may prescribe to the end
13 that the average yields fixed for farms in the same area,
14 which are subject to the same conditions, may be fair and
15 just: *Provided*, That if 75 per centum of the average yield
16 represents generally more protection than the investment
17 in the crop in any area, taking into consideration recog-
18 nized farming practices, the Board shall reduce such
19 maximum percentage so as more nearly to reflect the
20 investment in the crop in such area. Insurance provided
21 under this subsection shall not cover losses due to the neg-
22 lect or malfeasance of the producer, or to the failure of
23 the producer to reseed to the same crop in areas and
24 under circumstances where it is customary to so reseed,
25 or to the failure of the producer to follow established good

1 farming practices. Counties selected by the Board shall
2 be representative of the several acres where the agricultural
3 commodity insured is normally produced. The Board may
4 limit or refuse insurance in any county or area, or on any
5 farm, on the basis of the insurance risk involved. Insur-
6 ance shall not be provided in any county unless written
7 applications therefor are filed covering at least two hundred
8 farms or one-third of the farms normally producing the
9 agricultural commodity, excluding farms refused insurance
10 on the basis of the risk involved; nor shall insurance on
11 any agricultural commodity be provided in any county in
12 which the Board determines that the income from such com-
13 modity constitutes an unimportant part of the total agri-
14 cultural income of the county. The Corporation shall report
15 annually to the Congress the results of its operations as to
16 each commodity insured.”

17 SEC. 2. Subsection (b) of section 508 of the Federal
18 Crop Insurance Act, as amended, is amended by striking
19 out the proviso in the second sentence and the colon which
20 precedes it and substituting a period therefor.

21 SEC. 3. Subsection (c) of section 508 of the Federal
22 Crop Insurance Act, as amended, is amended to read as
23 follows:

24 “(c) To adjust and pay claims for losses in the agri-
25 cultural commodity or in cash, under rules prescribed by the

1 Board: *Provided*, That indemnities may be determined on
2 the same price basis as premiums are determined for the
3 crop with respect to which such indemnities are paid. The
4 Corporation shall provide for the posting annually in each
5 county at the county courthouse of a list of indemnities paid
6 for losses on farms in such county. In the event that any
7 claim for indemnity under the provisions of this title is
8 denied by the Corporation, an action on such claim may be
9 brought against the Corporation in the United States district
10 court, or in any court of record of the State having general
11 jurisdiction, sitting in the district or county in which the
12 insured farm is located, and jurisdiction is hereby conferred
13 upon such district courts to determine such controversies
14 without regard to the amount in controversy: *Provided*, That
15 no suit on such claim shall be allowed under this section
16 unless the same shall have been brought within one year
17 after the date when notice of denial of the claim is mailed
18 to and received by the claimant.”

19 SEC. 4. Subsection (a) of section 504 of the Federal
20 Crop Insurance Act is amended by striking out the second
21 sentence thereof.

22 SEC. 5. The Secretary of the Treasury is hereby
23 authorized and directed to cancel, without consideration, out-
24 standing receipts for payments for or on account of the stock
25 of the Corporation in excess of \$27,000,000.

1 SEC. 6. Subsection (b) of section 504 of the Federal
2 Crop Insurance Act is amended to read as follows:

3 “(b) There is hereby authorized to be appropriated
4 such sums as are necessary for the purpose of subscribing
5 to the capital stock of the Corporation.”

6 SEC. 7. Subsection (c) of section 505 of the Federal
7 Crop Insurance Act, as amended, is amended by striking out
8 the second sentence and inserting in lieu thereof the follow-
9 ing: “The members of the Board who are not employed by
10 the Government shall be paid such compensation for their
11 services as directors as the Secretary of Agriculture shall
12 determine, but such compensation shall not exceed \$50
13 per day each when actually employed and transportation
14 expenses plus not to exceed \$10 per diem in lieu of sub-
15 sistence expenses when on business of the Corporation
16 away from their homes or regular places of business.”

17 SEC. 8. Subsection (h) of section 506 of the Federal
18 Crop Insurance Act, as amended, is amended to read as
19 follows:

20 “(h) may conduct researches, surveys, and investi-
21 gations relating to crop and livestock insurance and shall
22 assemble data for the purpose of establishing sound
23 actuarial bases for insurance on agricultural commodi-
24 ties and livestock.”

25 SEC. 9. Section 518 of the Federal Crop Insurance

1 Act, as amended, is amended by striking therefrom the
2 words "determined by the Board pursuant to subsection (a)
3 (2) of section 508 of this title" and substituting therefor
4 the words "determined by the Board pursuant to subsection
5 (a) of section 508 of this title".

6 SEC. 10. Subsection (a) of section 507 of the Federal
7 Crop Insurance Act is amended to read as follows:

8 "(a) The Secretary shall appoint such officers and em-
9 ployees as may be necessary for the transaction of the
10 business of the Corporation pursuant to civil-service laws
11 and regulations, fix their compensation in accordance with
12 the provisions of the Classification Act of 1923, as amended,
13 define their authority and duties, delegate to them such of
14 the powers vested in the Corporation as he may determine,
15 require bond of such of them as he may designate, and fix
16 the penalties and pay the premiums of such bonds: *Provided*,
17 That personnel paid by the hour, day, or month when
18 actually employed, and county crop insurance committee-
19 men may be appointed and their compensation fixed without
20 regard to civil-service laws and regulations or the Classi-
21 fication Act of 1923, as amended."

22 *SEC. 11. The expanded program authorized herein shall*
23 *be instituted beginning with the 1950 crop year, the addi-*
24 *tional cost for fiscal year 1950 to be financed, pending the*
25 *appropriation of supplemental funds, from any appropria-*

- 1 *tion available for operating and administrative expenses of*
 2 *the Corporation for such fiscal year.*

Passed the House of Representatives May 18, 1949.

Attest:

RALPH R. ROBERTS,

Clerk.

Calendar No. 590

81ST CONGRESS
1ST SESSION

H. R. 3825

[Report No. 592]

AN ACT

To amend the Federal Crop Insurance Act.

MAY 19 (legislative day, APRIL 11), 1949

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JUNE 27 (legislative day, JUNE 2), 1949

Reported with amendments

signed, not to drive the Communists out of the China they hold (it is far too late for that), but to contain the Communist advance and to hold them where they are. This we can do with the materials at hand and without overstraining our resources.

E. WHAT WE HAVE TO WORK WITH

1. Non-Communist China—Our biggest asset

On China's western and southern periphery there lies a vast area where effective resistance to the Communist advance can yet be organized and where that advance can be held and contained. Included in this area are some 150,000,000 people, for the most part hardy mountaineers with a tradition of warlike defense of their native provinces against all invaders. This area is shown in any map of China. Briefly, it begins with the Mohammedan Provinces of Ninghsia, Kansu, and Tsinghai in the extreme northwest. See attached New York Times article of May 2, 1949. The leaders of these Provinces have kept their country free of both Japanese and Communists and invaders and have been deservedly feared by both. In their long march in 1926 the Communists attempted to settle in Kansu but were driven out after pitched battles and forced in the end to take up their positions in barren Shensi. South of these northern Provinces is the rich, highly populated basin of Szechwan, an area irrigated by impassable mountains. Szechwan has never been taken by conquest since before Kublai Khan. Southwest of Szechwan is Yunnan, which occupies perhaps the most important strategic position in Asia, with its long frontiers bordering on both Burma and French Indochina. Yunnan is high mountain country. It can be defended easily and, if held, will seal off the Communist advance from southeast Asia. East of Yunnan is Kwelchow, a high rugged Province which can be defended. Finally, further east along the southern coast of China are the Provinces of Kwangsi and Kwangtung, areas with a firm tradition of independence and resistance to invasion.

These Provinces can with a minimum of military supply and economic aid be turned into an efficient belt of resistance. Both the people and their leaders are prepared to resist the Communists and will in any case resist whether we help them or not. But what we can give in aid will make the difference between a hopeless and an effective resistance. It will provide the indispensable means, and, more important, the indispensable hope of success.

2. Surplus arms available in Pacific

We have available in the Philippines and on the Pacific Islands stores of surplus and obsolescent war materials and equipment which alone would go far toward arming the resistance of non-Communist China.

3. Financial aid

Finally, we can afford—because we must afford—what it will cost in the taxes of our people to make this aid effective. I estimate that to arm properly the military resistance of this free China will cost about \$350,000,000 a year. In addition, some economic aid will be necessary. On a minimum basis, however, the job can be done for less. I estimate that the total cost of our aid, including both military and economic assistance, can be kept as low as \$200,000,000 a year provided that all aid is administered economically.

F. WHAT WE MUST DO

1. Hold the Communists

If we are to take steps now toward halting and containing communism in China, it must be on the basis of a positive, aggressive, and flexible policy designed to support and give effect to the latent resistance that already exists in the free areas of China's periphery.

2. Strengthen economy of non-Communist China

We must not only give the necessary military support, we must also give the economic

support required to raise the standard of life in the areas of non-Communist China and to set them on the road to recovery and rehabilitation. Resistance will not be of any lasting effect unless these areas can be developed by such aid so that they will show by yardstick comparison that what the Chinese people everywhere want in terms of peace, better livelihood, and free institutions can be achieved better outside of than under communism. Our long-run hope must be based upon the proper development of these yardstick areas. In the short run, of course, no development is possible unless the military defense is secure.

Main highways enter this enormous area from the east; one extending from Sian to Lanchow in the north and one runs from Linchow, Kwangsi, through Kwelyang, capital of Kwelchow, to Chungking on the north and to Kunming in the southwest. Neither of these highways has the capacity for sufficient tonnage to support an invading army large enough to conquer the defending provinces—if the defenders are armed adequately.

The islands of Formosa and Hainan should be included in this defense zone in order to contain communism on the continent and to protect our sea and air lanes of communications in the western Pacific as well as our approaches to Indochina and anti-Communist west China.

This great western zone, plus the two major islands, Formosa and Hainan, can be organized and held at minimum cost, as a cordon sanitaire to protect Indochina, Siam, Burma, and all the remainder of Asia and the islands of the Pacific from the wave of communism which is certain to engulf them if all of China is communized.

The Japanese spent several million dollars in development work on Hainan Island in order to obtain such badly needed items as iron ore, fish, timber, sugar, rice, and fruit. They obtained coal from the rich mines along the northeast coast of Tonkin. The products of the sanitary zone are now urgently required by the Japanese in order to rehabilitate their industry. Formosa can supply aluminum, coal, alcohol, sugar, vegetables, fruits, timber, rice, and coal. Hainan Island can supply iron ore, other ores, timber, fish, and fruits. West China can supply tin, wolfram, antimony, wool, bristles, hides, tung oil, eggs, feathers, and furs. Tonkin can supply coal, rice, and timber. In fact, Japanese industry might be almost wholly supplied with essential raw materials—except petroleum products—from this non-Communist sanitary zone.

In exchange for these raw materials and foods Japan can furnish manufactured goods, machinery, tools, and steel. The movement of this trade would occupy a considerable portion of the Japanese merchant marine and would provide work for many seamen and other workers. The establishment of this trade between Japan and non-Communist China under American supervision would contribute a great deal to the rehabilitation of both areas and would relieve Japan of the necessity for trading principally with Communist Asia.

Fortunately, the military aid required for holding this sanitary zone is not great. The items most needed are rifles, machine guns, bazookas, light mortars, and pack artillery with ammunition. Some motor transport and signal communications equipment will be required. A small air task force for reconnaissance and army would add a great deal to the effectiveness of the defense.

Economic aid should be coordinated with military aid to increase crop production, improve transport communications, and rehabilitate and expand light industries. Much has already been accomplished in this western area to establish family and community industrial enterprises. Relatively small irrigation projects will increase the productive farm area a great deal. Com-

mercial fertilizers and improved seeds are needed.

3. American supervision

Finally, we must make sure this time that we do not repeat the errors of the past by giving aid without proper supervision. We must make sure that anything we give is accompanied by competent American personnel to see that our help is used for the purposes intended. The leaders of non-Communist China are too desperate to refuse us any such reasonable conditions and we have a right to ask for them. American supervision is a condition under which Marshall plan aid to Europe is granted and the Chinese will accept it as well.

G. SUMMARY

The communization of China will constitute a disaster to the United States of a magnitude without precedent in all of our history. We will be deprived of all the fruits of our victory in World War II and we will be confronted with the necessity for engaging in another great war in order to protect our freedom and the freedom of the people of the Pacific. Despite the gravity of the situation, China is being communized rapidly and all of China may be communized within a short time unless positive, constructive measures are taken quickly to prevent the further spread of communism.

1. After China is communized, the remainder of Asia and the islands to the south and east will be vulnerable to rapid communization. There are no natural barriers to the advance of communism from China to Indochina, Siam, Burma, and thence to Malaya, India, Indonesia, and the other islands of the western Pacific.

2. The communization of China immediately and of all Asia eventually are prejudicial to the best interests of the United States, both now and in the future.

3. The United States should take steps without further delay to assist the non-Communist Chinese to resist the advance of communism into Formosa, Hainan Island, and western China, including the Provinces of Ninghsia, Kansu, Tsinghai, Sinkiang, Szechwan, Kwelchow, Kwangsi, Kwangtung, Yunnan, and Sikkim.

These steps should include:

(a) Military aid under the direction and supervision of a military mission.

(b) Economic aid coordinated with the military aid to increase agricultural production, rehabilitate and expand local industry, rehabilitate and expand transport communications, and other measures to raise the standard of living of the people.

(c) Encouraging and exchange of products between Japan and non-Communist China.

[From the Nation of April 30, 1949]

THE CHINESE REVOLUTION

(Excerpt from article by Andrew Roth)

Chinese Marxism has both molded the forces of nationalism and agrarian revolt and been molded by them. Its policies have been substantially modified by conditions in the Chinese countryside, but the Chinese party is unquestionably an orthodox Communist Party of the Leninist-Stalinist variety. Like other parties of this type, its motto is "Moscow can do no wrong." The haste with which Chinese Communist papers denounced Anna Louise Strong after Radio Moscow had accused her of being a spy was almost indecent. She had spent the past quarter century eulogizing the Chinese Communists, but they turned against her overnight.

The discipline enforced in the party is no mean accomplishment in a country in which family discipline is virtually the only kind discernible. Its 3,000,000 puritanical zealots may well become the hard core around which flabby China will be unified for the first time in a century. That the party is governed from the top is apparent from the number

of questions which officials have to refer to their superiors and from their frequent ignorance of the reason for decisions. When the foreign correspondents were silenced last February, nobody knew for certain why the leadership had taken this step.

[From the New York Times of May 2, 1949]
CHENNAULT HAILED BY CHINA MOSLEMS—
TROOPS IN REVIEW AT NINGHSIA TOLD TO BE
PREPARED TO FIGHT COMMUNISM
(By Walter Sullivan)

NINGHSIA, CHINA, April 5.—One thousand broadswords whirled in the sharp desert sunlight and 1,000 voices shouted, "Kill!" as the climax of a military demonstration today welcoming Maj. Gen. Claire L. Chennault to this Chinese Moslem stronghold.

[General Chennault, who has returned to the United States since this dispatch was written, has been invited to give Congress his views on American aid to the Chinese Nationalists.]

On a giant parade ground, comparable in size to Red Square in Moscow, 12,000 cavalrymen and infantrymen of Gen. Ma Hung-kul passed in review. They were part of the Moslem armies that guard the gateway to north-west China.

Afterward the troops massed in front of the Chinese Moslem general and his guest, former head of the American "Flying Tigers," to hear the oratory.

SEES FUTURE STRUGGLE

General Chennault is now president of the Civil Air Transport, an air line in China, of which he is also the principal owner. He told the troops of the growing world battle again communism.

"The time will come, perhaps in the not so distant future," he said, "when you will join again with the Americans, British, and French to resist these forces which would destroy your liberty."

"We love peace," he continued, "but while there is communism there is no peace." He included the Dutch and Italians among those who he hoped would fight together "against this threat to the world." He told the soldiers that they must maintain their high standard of training for their share of this same struggle.

General Ma is ruler of Ninghsia Province as well as of its troops. This city, his capital, seems as well disciplined as his troops.

In startling contrast to most Chinese cities, the streets and sidewalks are smooth and completely free of refuse. Houses by decree are uniformly faced with gray brick.

TWO REDS BURIED ALIVE

General Ma proudly claims that no Communist agents dare penetrate his camp. The last two caught, he says, were discovered after VJ-day and were buried alive.

General Ma's troops are regarded as among the best in China. Their equipment is superior for troops so far from the modern world.

Infantry battalions carried light machine guns and rapid-firing rifles as well as regular rifles. Companies of horse-drawn mountain guns and other small field pieces rolled by. There were about a dozen brass bands in the line of march, all playing slightly off key.

The two sons of General Ma, who hold the top military posts under their father, took prominent roles in the show. One of them, who commands the cavalry, galloped in competition with his junior officers, past a series of red balls balanced on poles, trying to shoot them off with their rifles.

The lavish welcome given Mr. Chennault and his Chinese wife is significant. His air line is probably the most important link between these armies and the outside world. Ninghsia's supply line skirts the Communists at several points and its future is uncertain.

BILL PASSED OVER

The bill (H. R. 3825) to amend the Federal Crop Insurance Act, was announced as next in order.

Mr. WILLIAMS. Mr. President, I ask that the bill be passed over.

The PRESIDING OFFICER. The bill will be passed over.

Mr. ANDERSON. Mr. President, I wonder if I could clear up the possible objection of the Senator. I have received objections with reference to language which I think was inadvertently omitted from the bill. There is an amendment—

Mr. WILLIAMS. I would withhold my objection if the Senator from New Mexico wishes to make an explanation. However, I think I should have to continue the objection, because I am objecting by request. If the Senator wishes to put his explanation into the RECORD, I shall be glad to have him do so.

Mr. ANDERSON. There was objection made that the words "while in the field" were not inserted in the bill, and it left the impression that the Federal Crops Insurance Corporation would have authority to insure all sorts of crops, after they had been harvested. That was a very substantial invasion of the ordinary field in which private insurance companies had been operating. It was called to my attention by a representative of the United States Chamber of Commerce and others, and I told them that I would discuss the subject with the distinguished Senator from North Carolina [Mr. HOEY] and perhaps we would agree to carry into the conference the words "while in the field." I think that would save the objection which has been lodged against the bill so far.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. ANDERSON. I yield.

Mr. WILLIAMS. Is it true that the bill proposes to write off a \$73,000,000 deficit of the Corporation?

Mr. ANDERSON. If it does, I know nothing about it.

Mr. HOEY. That amount has already been written off. This bill does not do that.

Mr. WILLIAMS. Mr. President, I shall have to ask that the bill go over, because the Senator who asked me to object is not present.

The PRESIDING OFFICER. The bill will be passed over.

AMENDMENT TO INSTITUTE OF INTER-AMERICAN AFFAIRS ACT

The Senate proceeded to consider the bill (S. 1250) to amend the Institute of Inter-American Affairs Act, approved August 5, 1947, which had been reported from the Committee on Foreign Relations, with amendments, on page 2, line 3, after the word "specific", to insert "contract", and in line 8, after the word "exceed", to strike out "\$50,000,000" and insert "\$25,000,000", so as to make the bill read:

Be it enacted, etc., That, in order further to strengthen friendship and understanding among the peoples of the America Republics and to enhance their common welfare, the Institute of Inter-American Affairs Act (Public Law 369, 80th Cong., 1st sess., 22

U. S. C., sec. 281) is hereby amended in the following particulars.

SEC. 2. Section 14 of the Institute of Inter-American Affairs Act is revised to read as follows:

"SEC. 14. (a) The Institute shall have authority, in entering into contracts under section 3 (c) of this act, to make contracts, within the limits of funds appropriated or specific contract authorizations hereafter granted to it, for periods of not to exceed 5 years in any one case.

"(b) There are authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, such sums as may from time to time be necessary to carry out this act, but not to exceed \$25,000,000 for the period ending June 30, 1955: *Provided*, That the appropriations herein authorized shall be in addition to appropriations made pursuant to authorizations granted in Public Law 369, Eightieth Congress.

"(c) This act may be cited as the 'Institute of Inter-American Affairs Act'."

SEC. 3. Section 3 (a) of the Institute of Inter-American Affairs Act is revised to read as follows:

"(a) Shall have succession until June 30, 1955."

The amendments were agreed to.

Mr. HENDRICKSON. Mr. President, reserving the right to object—

The PRESIDING OFFICER. Is the Senator objecting to the bill as amended?

Mr. HENDRICKSON. Reserving the right to object, I wonder if the distinguished Senator from Connecticut [Mr. McMAHON] would submit to a question?

Mr. McMAHON. Certainly.

Mr. HENDRICKSON. Is there any reason why the term of the commitment could not be cut down to 3 years at a cost of \$15,000,000, rather than a term of 5 years at cost of \$25,000,000?

Mr. McMAHON. The Senator will note that we are cutting the amount from \$50,000,000 to \$25,000,000. The 5-year term is quite necessary, because the nature of the program is such that the work must be done in advance if we are to receive the maximum advantage from the program contemplated by the bill. All the testimony indicated that if we did not give them 5 years within which to carry forward the work, we would seriously harm the program and would not receive the benefit which we think we will receive by this expenditure of money.

I may say to the Senator that the benefits which have come from the Institute of Inter-American Affairs have been very great indeed during the past 2 years, particularly with relation to the peoples of South America and their agricultural production. This is the only program we are operating in cooperation with the South American republics. It is a fine gesture of good will. For reasons with which the Senator is familiar, the program is of particular benefit to us in maintaining good relations and good will with the South American Republics.

Mr. HENDRICKSON. I take it the committee was unanimous in that view.

Mr. McMAHON. The committee was unanimous. It gave the subject very extended consideration and very serious attention. As the Senator can see, we did reduce the amount, because we felt that was the best we could do.

Mr. HENDRICKSON. I thank the Senator.

and head tax. Upon the enactment of this act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BILLS PASSED OVER

The bill (H. R. 4585) to authorize the purchase of additional farming land for Leavenworth Penitentiary was announced as next in order.

Mr. McCARRAN. Mr. President, just a moment ago I asked that a companion bill go over. I ask that this bill go over.

The PRESIDING OFFICER. The bill will be passed over.

The bill (H. R. 3946) to promote the national defense and to contribute to more effective aeronautical research by authorizing professional personnel of the National Advisory Committee for Aeronautics to attend accredited graduate schools for research and study, was announced as next in order.

Mr. SCHOEPPPEL. Over.

The PRESIDING OFFICER. The bill will be passed over.

CONVEYANCE OF CERTAIN LANDS TO SAN FRANCISCO—BILL PASSED OVER

The bill (S. 862) authorizing the Secretary of the Army to convey certain lands to the city and county of San Francisco was announced as next in order.

Mr. MORSE. Mr. President, I think we are going to be able to work out an arrangement on this bill by the time of the next call of the calendar. For the present I shall have to object, for the reason that I am not satisfied with a letter which has been received, sent to the Senator from California [Mr. KNOWLAND] by the Secretary of the Army, which the Senator from California very kindly showed me this afternoon. I am not satisfied that the Secretary of the Army has provided me with the particular information which I have requested, namely, a showing from the Army that it is receiving, in the transfer with the city of San Francisco, value for the property which the Federal Government is asked to transfer to the city of San Francisco.

I am inclined to believe that a special showing can be made, and judging from what the majority leader has said here this afternoon there is going to be ample time before adjournment for at least one more call of the calendar. Therefore I hope to work out with the Senator from California and the Secretary of the Army the data which I must have in order to maintain a consistent policy with regard to transfers of land.

Mr. KNOWLAND. Mr. President, I should like to have printed in the RECORD the letter to which the Senator has referred, from the Secretary of the Army, Mr. Gordon Gray.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JULY 23, 1949.

HON. WILLIAM F. KNOWLAND,
United States Senate,
Washington, D. C.

DEAR SENATOR KNOWLAND: This is in reply to your letter of 12 July 1949 requesting ad-

ditional information with respect to the value to the Federal Government of the armories to be constructed at the Palace of Fine Arts and at Fort Funston, San Francisco, Calif.

The property involved in the conveyance consist of approximately 42 acres of the Fort Funston Military Reservation. Inasmuch as this property is no longer required in its entirety for military purposes, the Department of the Army has determined that it would be advantageous at this time to effect the transfer proposed by S. 862.

In the event S. 862 becomes law the United States will benefit to the following extent:

(a) The Department of the Army will retain the use of fifteen sets of living quarters located on the property for the balance of their natural lives. If the city of San Francisco subsequently desires the use of such quarters for other purposes it will construct, or cause to be constructed, eight permanent type living units for the Army at the Presidio of San Francisco. The cost of constructing these units is estimated to be approximately \$120,000.

(b) The city and county of San Francisco will in turn grant to the State of California approximately seven acres of the property located at Fort Funston for use of the California National Guard. The facilities to be constructed by the State of California on this seven acres will be available for the joint use of all civilian components of the Armed Forces.

(c) At the present time, it is contemplated that a National Guard headquarters group, and an antiaircraft battalion, comprising a total of 800 officers and men, will be housed in the facilities to be constructed at Fort Funston. The facilities to be furnished by the city and county of San Francisco in Palace of Fine Arts Building will accommodate a National Guard infantry battalion, consisting of approximately 800 officers and enlisted men.

(d) At the present time, there are 258 reserve units of company size or smaller in the San Francisco and Oakland area, with 3,564 reservists assigned thereto. However, at the present time the San Francisco and Oakland area do not have adequate facilities for the organization and training of the reserve units as envisaged by current objectives. Accordingly, the facilities to be constructed on the Fort Funston property, and in the Palace of Fine Arts Building, will be of considerable value to the Armed Forces.

(e) The city and county of San Francisco will grant easements and rights-of-way in connection with water lines, sewer lines and cables required by the Army, the California National Guard and the Veterans' Administration. In addition, an easement of approximately 25 feet in width will be granted across land now owned by the city and county of San Francisco.

(f) All oil, mineral, and fissionable material rights will be reserved to the United States in accordance with existing policy.

With the exception of the housing units involved, it is difficult to place a monetary value on the benefits which would accrue to the United States as a result of this conveyance. It is my understanding that approximately \$540,000 will be spent by the State of California in the construction of armory facilities at Fort Funston and the Palace of Fine Arts Buildings.

I trust that the information contained herein will be helpful to you.

Sincerely,

GORDON GRAY,
Secretary of the Army.

Mr. KNOWLAND. Mr. President, I also ask the Senator from New Jersey whether he has prepared for this bill the same amendment he had on the similar bill which was passed on the last call of the calendar. If he has not, I wish he would have it placed in the bill soon,

so that we can at least have the bill in final form by the time the Senator from Oregon may feel willing to consent to the passage of the bill.

Mr. HENDRICKSON. Mr. President, I hope to have the amendment prepared by the time of the next call of the calendar.

The PRESIDING OFFICER. On objection, the bill will be passed over.

Mr. HENDRICKSON subsequently said: Mr. President, I should like to offer the amendment to Senate bill 862, Calendar No. 557, requested by the Senator from California [Mr. KNOWLAND]. I send it to the desk and ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 3, line 2, it is proposed to strike out the period and insert a colon and the following proviso: "Provided, That such grant shall not be effective until the Governor of the State of California shall certify in writing to the Secretary of Defense that such land is needed by the State of California for the purpose of a site for a National Guard Armory and for training the National Guard or for other related military purposes and that such land is suitable for such purposes."

Mr. CHAVEZ. Mr. President, what bill are we considering?

The PRESIDING OFFICER. The amendment which has just been stated was referred to a moment ago. It is in connection with Senate bill 862. The Senator from California [Mr. KNOWLAND] asked to have the amendment placed in the bill which would transfer certain land to the city of San Francisco.

The amendment will be attached to the bill for consideration when the bill is reached on the next call of the calendar.

BILLS PASSED OVER

The bill (S. 1498) to amend the Natural Gas Act, approved June 21, 1938, as amended, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDING OFFICER. The bill will be passed over. The bill (S. 1185), to provide relief for the sheep-raising industry by making special quota immigration visas available to certain alien sheepherders, was announced as next in order.

Mr. HENDRICKSON. Over.

The PRESIDING OFFICER. The bill will be passed over.

AMENDMENT OF THE FEDERAL CROP INSURANCE ACT

The Senate proceeded to consider the bill (H. R. 3825) to amend the Federal Crop Insurance Act, which had been reported from the Committee on Agriculture and Forestry with amendments.

The first committee amendment was, on page 2, line 21, after the figures "1950", to insert "and continuing through the crops planted for harvest in 1951, 1952, and 1953."

The amendment was agreed to.

The next amendment was on page 3, after the word "Provided", to strike out "the previous year" and insert "in 1948."

The amendment was agreed to.

The next amendment was, at the end of the bill to insert a new section, as follows:

SEC. 11. The expanded program authorized herein shall be instituted beginning with the 1950 crop year, the additional cost for fiscal year 1950 to be financed, pending the appropriation of supplemental funds, from any appropriation available for operating and administrative expenses of the Corporation for such fiscal year.

The amendment was agreed to.

Mr. SCHOEPPPEL. Mr. President, may we have an explanation of the bill? As I understand, \$73,000,000 is involved. The bill proposes to wipe out \$71,000,000 of a deficit of \$73,000,000.

The PRESIDING OFFICER. The junior Senator from New Mexico [Mr. ANDERSON] is in charge of the bill.

Mr. CHAVEZ. The Senator from New Mexico is not present at the moment. Let the bill be passed over temporarily.

The PRESIDING OFFICER. The bill will be passed over temporarily.

Mr. AIKEN. Mr. President, was the bill passed?

The PRESIDING OFFICER. No; it has been passed over temporarily. The Senator from New Mexico [Mr. ANDERSON] is not in the Senate Chamber at the moment.

Mr. YOUNG subsequently said: Mr. President, I ask unanimous consent to return to Calendar No. 590, the bill (H. R. 3825) to amend the Federal Crop Insurance Act.

The PRESIDING OFFICER. Is there objection to the request? The Chair hears none.

Mr. YOUNG. If the Senator making the objection would withhold the objection a moment, I should like to explain briefly what this bill proposes to do.

Mr. LUCAS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LUCAS. Was this bill objected to?

The PRESIDING OFFICER. It was objected to before. The Senator from North Dakota asked to return to its consideration, to make an explanation. There was no objection to returning to it.

Mr. SCHOEPPPEL. That bill was passed, Mr. President, to the foot of the calendar, according to my recollection. The former Secretary of Agriculture, the present Senator from New Mexico [Mr. ANDERSON], was absent was the Senate Chamber.

The PRESIDING OFFICER. Has the Senator from New Mexico returned to the Senate Chamber? Apparently not. The Chair suggests the Senator from North Dakota let the bill go over. The Senator from New Mexico [Mr. ANDERSON] has an amendment.

Mr. YOUNG. Mr. President, if the Senator objecting wants to ask the Senator from New Mexico a question, I believe I can answer it sufficiently now without his being here.

Mr. SCHOEPPPEL. I should be glad to have an explanation on the part of the Senator.

The PRESIDING OFFICER. The Senator from New Mexico [Mr. ANDERSON] wanted to offer an amendment. Suppose we let the bill go over.

RESOLUTION PASSED OVER

The resolution (S. Res. 58) to amend the Senate rules by creating a standing committee on small business was announced as next in order.

SEVERAL SENATORS. Over.

Mr. WHERRY. Mr. President, may I inquire if the majority leader believes the resolution might also be brought in under the program he expects to present to the Senate between now and Labor Day, or whatever day on which he figures the Senate will adjourn?

Mr. LUCAS. The majority leader has already referred to quite a number of bills which it is expected the Senate will consider before adjournment.

Mr. WHERRY. This is the second measure concerning which I have asked the Senator that question.

Mr. LUCAS. Yes; but I referred to three or four bills before the Senator from Nebraska made his first inquiry. I think we had better leave the situation as it is for a little while until we act on other bills, and then I will advise the Senator from Nebraska.

Mr. WHERRY. I hope the majority leader will give the resolution his fullest consideration.

Mr. LUCAS. I will give every consideration to it.

Mr. WHERRY. I thank the Senator.

AMENDMENT TO CONSTITUTION RELATING TO ELECTION OF PRESIDENT AND VICE PRESIDENT—JOINT RESOLUTION PASSED OVER

Mr. LODGE. Mr. President, has Senate Joint Resolution 2, Calendar 601, been called. It is the measure providing for a constitutional amendment to abolish the electoral college.

The PRESIDING OFFICER. It is the next measure to be called on the calendar.

The joint resolution (S. J. Res. 2) proposing an amendment to the Constitution of the United States providing for the election of President and Vice President, was announced as next in order.

Mr. LODGE. Mr. President, this is the constitutional amendment to abolish the electoral college and to count the electoral vote—which would be preserved solely as a counting device—in proportion to the popular vote in elections for President and Vice President.

It eliminates completely any possibility of an election being thrown into the House of Representatives; it establishes the constitutional right of the people to direct vote; and it does away with the so-called unit rule system of counting electoral votes whereby the candidate receiving a plurality of the popular vote in any given State is credited with all the electoral votes of that State regardless of how small the plurality may be.

As all Senators know, the present "electoral college-unit rule" system is seriously defective.

The "dummy" office of presidential elector is in effect an inaccurate rubber stamp since on occasion these electors actually vote against the popular will.

The failure of a candidate to obtain a majority of electoral votes throws the election into the House of Representatives where each State has one vote. This would have happened in January of 1949 if only a few thousand votes in two States

had gone differently. On the first ballot the result would have been: Truman, 21; Dewey, 20; and Thurmond, 4. And \$5 would have been necessary to a choice.

The unit-rule method of crediting all other States' electoral votes to the plurality candidate in each State puts a tremendous premium on a few large States, limits the campaign to a minority of States and restricts political preferment to a man who happens to live in one of a few so-called pivotal States.

Mr. TOBEY. Mr. President, will the Senator yield?

Mr. LODGE. I yield.

Mr. TOBEY. Would the Senator from Massachusetts agree to an amendment to make this machinery retroactive so as to apply to the last election?

Mr. LODGE. I think that question answers itself.

The present system has led to the election of a President who actually had a smaller popular vote than the man whom he defeated—Adams over Jackson in 1824, Hayes over Tilden in 1876, and Harrison over Cleveland in 1888. This possibility cannot, of course, be completely eliminated without going to a straight popular election, but the pending proposal very much reduces the danger.

Moreover, in pivotal States there are pressure groups which, under the present system, can sway the balance in those States. In the last election, for example, the candidacy of Henry A. Wallace swung all of New York's 47 votes to Dewey in spite of the fact that Truman received 45 percent of the popular vote in that State.

The proposed amendment completely preserves the rights of the small States, who retain their allocation of two electoral votes regardless of population.

It would tend to give a more truly national character to both our major parties and would greatly enhance and invigorate the two-party system in the United States. It neither helps nor hurts either party. It is sponsored by Senators from both parties representing all sections of the country. I believe that upon careful study Senators of both parties will conclude that it simply eliminates restraints on the two-party system as a whole and thus opens up the field for imaginative and courageous political leadership in the future the true challenge and advantage of which none of us can predict.

Mr. President, obviously this is not the time to take up this constitutional amendment. I wanted to make this brief explanation and express the hope that the measure will be set down for Senate consideration at an early date.

The PRESIDING OFFICER. The joint resolution will be passed over.

JOINT COMMITTEE ON ECONOMIC REPORT—BILL PASSED OVER

The bill (S. 2085) to amend the Employment Act of 1946, with respect to the Joint Committee on Economic Report, was announced as next in order.

Mr. TAFT. I object to the consideration of this measure, until the full Joint Committee on Economic Report has considered and approved the bill. I do not

either House of the Congress a bill to provide for the creation or chartering of a corporation other than a corporation wholly owned or controlled, or to be wholly owned or controlled, by the United States or a department or agency thereof, to conduct or cause to be conducted a full and complete investigation of the proposed corporation, its purposes, incorporators, and proponents, and any other matters in connection therewith which he shall elect to include in such investigation, and to make a full and complete report thereon, which report shall be transmitted to the committee which referred such bill to the Attorney General, accompanied by the opinion of the Attorney General as to whether such bill and the corporation thereby proposed to be created or chartered are in compliance with this act, together with the recommendations of the Attorney General with respect to the enactment of the proposed legislation.

SEC. 5. (a) The financial transactions of each corporation (other than a corporation wholly owned or controlled by the United States or a department or agency thereof) hereafter created or chartered by act of Congress, or heretofore so created or chartered, still in existence, and by the terms of its charter a corporation not for profit, shall be audited annually by a certified public accountant in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The certified public accountant, or his representatives, shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians.

(b) Each such corporation shall file annually with the Comptroller General, in accordance with such regulations and upon such form as he shall prescribe, a complete statement of such annual audit (which audit shall be retained by the General Accounting Office as a public record for a minimum period of 10 years), verified by the certified public accountant by whom the audit is made, for the fiscal year ending on June 30. Not later than January 15, following the close of such fiscal year for which such audit is made and such statement filed, the Comptroller General shall make a report to the Congress. Such report shall set forth the scope of the audit and statements of (1) assets and liabilities, (2) capital and surplus or deficit, (3) surplus or deficit analysis, (4) income and expense, and (5) sources and application of funds; and shall also include such comments and information as may be deemed necessary to keep Congress informed of the operations and financial conditions of, and the use of any Government funds and facilities by, each such corporation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report may also show specifically any program, expenditure, or other financial transaction or undertaking disclosed by the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law or in violation of law or is not within the scope of the expressed corporate purposes or is not in conformity with this act. A copy of each such report shall be furnished to the corporation concerned at the time such report is submitted to the Congress.

(c) If the Comptroller General is unable to report fully on any such corporation as required by subsection (b) because of the

willful failure of such corporation to comply with this section or with any reasonable regulation of the Comptroller General as authorized by this section, the facts of such willful failure on the part of any such corporation shall be fully reported to the Congress by the Comptroller General.

(d) For the purpose of supervising such audits or any audit and reporting to Congress thereon, the Comptroller General is authorized in his discretion to employ by contract, without regard to section 3709 of the Revised Statutes, professional services of persons, firms, and organizations for temporary periods or for special purposes.

SEC. 6. The right of the Congress in its discretion to grant or withhold Federal charters for corporations is expressly reserved, and compliance with any or all provisions of this act by any corporation or other applicant or applicants for any Federal charter shall not be deemed to create or imply any obligation on the part of the Congress to grant or approve such charter.

SEC. 7. Nothing in this act shall be construed to apply to any corporation in existence at the date of approval of this act, whose financial transactions are subject to audit, examination, or supervision by a department, agency, or official of the United States, District of Columbia, or State or Territory of the United States, and which corporation is required by law enacted by the Congress of the United States to file at least annually a financial report with such auditing, examining, or supervising department, agency, or official.

SEC. 8. For purposes of court jurisdiction based upon diversity of citizenship a corporation created by or under an act of Congress shall be deemed to be a citizen of Maryland, unless otherwise specified by act of Congress.

CONVEYANCE BY THE UNITED STATES OF CERTAIN LANDS TO FRANK C. WILSON

The bill (H. R. 2931) to provide for the conveyance by the United States to Frank C. Wilson of certain lands formerly owned by him was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED TO THE FOOT OF THE CALENDAR

The bill (S. 689) to permit certain postal employees or substitute postal employees to receive credit for military service was announced as next in order.

Mr. KNOWLAND. Mr. President, may we have an explanation as to what the substitute amendment reported by the committee would do?

The VICE PRESIDENT. An explanation is asked of the committee amendment, which is in the nature of a substitute.

Mr. LUCAS. Mr. President, the Senator from Delaware [Mr. FREAR] requests that this bill be passed over and placed at the foot of the calendar.

The VICE PRESIDENT. Without objection, it is so ordered.

REHABILITATION AND BETTERMENT OF COSTS OF RECLAMATION PROJECTS—BILL PASSED OVER

The bill (H. R. 1694) to provide for the return of rehabilitation and betterment of costs of Federal reclamation projects was announced as next in order.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The VICE PRESIDENT. There is an amendment pending, offered by the Senator from Wyoming [Mr. O'MAHONEY] which will be stated.

The LEGISLATIVE CLERK. On page 2, line 1, after the word "shall", it is proposed to strike out "to the fullest practicable extent."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Wyoming [Mr. O'MAHONEY].

Mr. HENDRICKSON. Mr. President, I should like to have an explanation of the amendment. Exactly what does it do to the bill?

Mr. O'MAHONEY. Mr. President, this is a measure which was reported unanimously by the Committee on Interior and Insular Affairs. Objection was made when it was first called upon the calendar. That objection was on the ground, as I recall, that the authority granted to the Secretary was broader than some Members thought proper—as, for example, on page 2, line 1, the words "to the fullest practicable extent." I indicated, on the last call of the calendar, that those words could go out so far as I was concerned.

The purpose, of course, is to make it possible to make appropriations for the rehabilitation and betterment of existing reclamation projects. In the course of years unforeseen things happen on a reclamation project. Only this morning I received word from Wyoming that one of the oldest projects in that State, the Riverton project, is developing a little difficulty on one of the main canals.

In order that the Bureau of the Budget may submit estimates and the Appropriations Committee may make appropriations for improvement and betterment work upon such projects, it is necessary to have this legislative authority. In the past it has been done without such authority. In the opinion of the Appropriations Committee and the Bureau of the Budget the original law was broad enough to cover this authority. Last year the appropriation bill for the Interior Department, as the minority leader will well remember, carried an item for rehabilitation and betterment. When budget estimates were sought this year for similar appropriations the Bureau of the Budget did not allow the estimate because of what I deem to be a rather narrow and technical interpretation of existing law.

I hope the bill may be passed. If there are any further questions, I shall be very glad to answer them.

Mr. HENDRICKSON. Will the distinguished Senator from Wyoming inform the Senate whether this amendment in any way restores the authority to Congress over reimbursements?

Mr. O'MAHONEY. Restores authority to Congress?

Mr. HENDRICKSON. Yes. Under the terms of this bill authority over reimbursements lies entirely in the hands of the Secretary of the Interior.

Mr. O'MAHONEY. It is a protective provision, as I see it. It requires the Secretary of the Interior to provide for the reimbursement to the Government of the cost of the rehabilitation or betterment work. That provision is in the

interest of the Government. The bill takes no power away from Congress.

Mr. HENDRICKSON. The bill contains no authority to review the acts of the Secretary of the Interior, does it?

Mr. O'MAHONEY. If it does not, I would not at all object to an amendment to require the approval of Congress with respect to any contracts for reimbursement made hereunder.

Mr. HENDRICKSON. With such an amendment I would not object. Otherwise I am inclined to object.

Mr. O'MAHONEY. Let us see where the proper place would be for such an amendment.

Mr. CHAVEZ. Mr. President, I am very sorry to disagree at the moment. I should like to have this bill passed over.

Mr. O'MAHONEY. I thought the Senator who had objected to the bill on the last call of the calendar had withdrawn his objection.

Mr. CHAVEZ. I am not objecting to the bill. We have a few reclamation projects in my State. For the moment I ask that the bill be passed over.

The VICE PRESIDENT. The bill will be passed over.

AMENDMENT OF FEDERAL CROP INSURANCE ACT

The Senate proceeded to consider the bill (H. R. 3825) to amend the Federal Crop Insurance Act, which had been reported from the Committee on Agriculture and Forestry with amendments, action upon which had previously been taken.

The VICE PRESIDENT. There are three amendments pending, offered by the Senator from New Mexico [Mr. ANDERSON]. Does the Senator from New Mexico wish those amendments considered en bloc?

Mr. ANDERSON. Yes, Mr. President.

The VICE PRESIDENT. Without objection, the amendments offered by the Senator from New Mexico will be considered en bloc. The amendments will be stated.

The LEGISLATIVE CLERK. On page 2, line 6, it is proposed to strike out the period at the end of the line and insert "*Provided, That, except in the case of tobacco, such insurance shall not extend beyond the period the insured commodity is in the field.*"

On page 3, lines 1 and 2, it is proposed to strike out "in which such insurance was provided in 1948," and insert "specified above."

On page 6, line 21, it is proposed to strike out "and livestock"; and in line 28, to strike out "and livestock."

The VICE PRESIDENT. The question is on agreeing to the amendments offered by the Senator from New Mexico [Mr. ANDERSON].

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

PATENT IN FEE TO CERTAIN INDIAN LANDS IN LAKE COUNTY, MONT.

The bill (H. R. 1892) authorizing the Secretary of the Interior to issue a patent in fee to certain Indians lands in Lake County, Mont., was considered, ordered

to a third reading, read the third time, and passed.

The title was amended so as to read: "An act authorizing the Secretary of the Interior to issue to Lake County, Mont., a patent in fee to certain Indian lands."

BIG BEND NATIONAL PARK, TEX.

The Senate proceeded to consider the bill (H. R. 2877) to authorize the addition of certain lands to the Big Bend National Park, in the State of Texas, and for other purposes, which had been reported from the Committee on Interior and Insular Affairs with an amendment, on page 1, line 8, after the word "Park", to insert "*Provided, however, That the aggregate cost of such acquisitions shall not exceed the sum of \$10,000.*"

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

BILL PASSED OVER

The bill (H. R. 5310) to confer jurisdiction on the State of California over the lands and residents of the Agua Caliente Indian Reservation in said State and for other purposes, was announced as next in order.

Mr. CHAVEZ. Over.

The VICE PRESIDENT. The bill will be passed over.

BUFFALO RAPIDS PROJECT, MONTANA

The bill (S. 2042) to authorize the Secretary of the Interior to complete construction of the irrigation facilities and to contract with the water users on the Buffalo Rapids project, Montana, increasing the reimbursable construction-cost obligation, and for other purposes, was announced as next in order.

Mr. SCHOEPEL. Mr. President, may we have an explanation of the bill?

Mr. O'MAHONEY. Mr. President, this bill was reported from the Committee on Interior and Insular Affairs by the junior Senator from Montana [Mr. ECTON]. As stated in the report:

The purpose of this bill is to authorize the Secretary of the Interior to complete the construction of the irrigation facilities of the Buffalo Rapids project in the State of Montana, and to permit him to make an adjustment of the present reimbursable obligation to take into account the current estimates of project costs and requirements.

The Buffalo Rapids project is made up of two divisions, referred to as the first division and the second division. The first division consists of 15,500 acres, and the second division consists of approximately 11,600 acres.

Based on present costs and on preliminary engineering estimates of drainage facilities which will be required, a total sum of approximately \$1,560,000 will be needed to complete the entire project and to put it in satisfactory operating condition. Of the \$1,560,000, approximately \$830,000 will be required for the first division, and approximately \$730,000 for the completion of the second division.

The principal items of construction and development have been completed for both divisions of the project. Major construction remaining is the drainage systems for the project and clean-up construction on the various units. The construction work on both divisions can probably be finished during the current calendar year or within 1 year from the date funds are made available.

The existing total repayment obligation for the project is \$1,135,000, which sum was based

on estimated project costs totaling \$3,325,000. Through subsequent authorizations, approximately \$3,761,600 has been obligated through May 1949 for construction of the project and construction is continuing with available funds amounting to about \$47,600. Investigations in connection with authorization of the project established the ability of the project lands to pay construction costs at approximately \$1 per acre per annum. It would, therefore, be appropriate that the upward adjustment of the repayment obligation be accomplished by retaining this rate of payment and increasing the pay-out period from 40 to 60 years to be based on the actual irrigable acreage, as determined upon completion of the project.

The bill increases the amount to be repaid to the Government.

Mr. SCHOEPEL. And it extends the time; does it not?

Mr. O'MAHONEY. Yes; it extends the time.

Mr. MURRAY. Mr. President, I should like to add that this is a vitally important project in Montana. It was developed because of the serious effect of the droughts there several years ago, and it has been a very successful operation. I joined with my colleague, the junior Senator from Montana [Mr. ECTON] in presenting this bill. It was reported unanimously by the committee. I hope there will be no objection.

Mr. SCHOEPEL. I have no objection.

The VICE PRESIDENT. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 2042) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Interior is authorized to complete the construction of irrigation facilities including necessary drainage works on the first and second divisions of the Buffalo Rapids project, Montana, as approved by the President under authority of the act of May 10, 1939 (53 Stat. 685), and the act of October 14, 1940 (54 Stat. 1119), as amended: Provided, That of the funds heretofore or hereafter expended for such construction an amount equal to \$60 per irrigable acre as determined and announced by the Secretary of the Interior upon completion of the project, shall be reimbursable by the water users over a repayment period of not to exceed 60 years, and provision for the recovery thereof and for payment of the operation and maintenance costs of the irrigation and drainage features of the project shall be made by a contract or contracts satisfactory to the Secretary of the Interior.

SEC. 2. To carry out the purposes of this act, the Secretary of the Interior is hereby authorized to allot any moneys available from appropriations heretofore made to the Department of the Interior for "water conservation and utility projects" and "water conservation and utilization projects," and there is hereby authorized to be appropriated to the Department of the Interior, out of any money in the Treasury not otherwise appropriated, such sums of money as may be necessary to complete the project.

BILLS PASSED OVER

The bill (S. 805) to amend section 5 of the act approved July 10, 1890, as amended, relating to the admission into the Union of the State of Wyoming, so as to permit the leasing of school lands within such State for mineral purposes for terms in excess of 10 years, was announced as next in order.

Mr. LANGER. Let the bill go over.

four hundred twenty and forty-five one-hundredths feet to a point on the township line between townships 23 and 24 south, which is westerly thereon one thousand eight hundred seventy-eight and fifty-five one-hundredths feet from a brass cap in concrete monument set to mark the southeast corner of section 32, township 23 south, range 38 east, Mount Diablo base and meridian; thence continuing south twenty degrees three minutes ten seconds west two thousand four hundred seventy and forty-nine one-hundredths feet; thence south twenty-two degrees seven minutes forty-three seconds east two thousand five hundred thirty and fifty-five one-hundredths feet; thence south five degrees twenty-five minutes twenty seconds east twenty-seven thousand two hundred six and fifty one-hundredths feet to a point on the county line between Inyo and Kern Counties, which is easterly thereon two hundred ninety and twenty-two one-hundredths feet from a 2-inch iron pipe set to mark the southwest corner of section 33, township 24 south, range 38 east, Mount Diablo base and meridian.

Also all those portions of section 14; east half northeast quarter, south half section 22; section 27; west half east half, and east half west half section 34, township 16 south, range 36 east, Mount Diablo base and meridian, lying within the boundaries of a strip of land two hundred and fifty feet in width, the sidelines of said strip being parallel with and distant, respectively, seventy-five feet easterly of and one hundred and seventy-five feet westerly of a line described as follows: Beginning at a point on the township line between townships 16 and 17 south, which is distant thereon south eighty-nine degrees fifty-four minutes three seconds west thirty-three and seventy-two one-hundredths feet from a 1-inch iron pipe with brass cap set to mark the south quarter-corner of section 34, township 16 south, range 36 east, Mount Diablo base and meridian; thence north four degrees twelve minutes fifty-seven seconds west nine thousand seven hundred ninety-seven and ninety-four one-hundredths feet; thence north thirty-seven degrees twenty-seven minutes no seconds east eight thousand six hundred fifty-one and ninety-six one-hundredths feet to a point in section 14, township 16 south, range 36 east, Mount Diablo base and meridian, distant north sixty-three degrees fifty-seven minutes fifty seconds east two thousand eighty-three and twenty-one one-hundredths feet from the southwest corner of said section 14.

Lands within the county of Kern, State of California, described as follows:

All those portions of section 4; section 9; west half southwest quarter section 22; west half section 34, township 25 south, range 38 east, Mount Diablo base and meridian, lots 1 and 2 northwest quarter, southwest quarter section 3; section 10; lots 2, 5, 6, 8, and 9, section 15; southeast quarter section 21; west half west half section 22; northwest quarter section 27; section 28; section 33, township 26 south, range 38 east, Mount Diablo base and meridian; lots 1 and 2 northwest quarter, southwest quarter section 4; lot 1 northeast quarter, southeast quarter section 5; north half northeast quarter south half southeast quarter, east half southwest quarter section 8; east half northwest quarter, southwest quarter northwest quarter, southwest quarter section 17; section 18; section 19; section 20; east half, lot 1 northwest quarter, lot 2 and the north half lot 1 southwest quarter section 30; north half lot 2 northwest quarter, lot 2 southwest quarter section 31, township 27 south, range 38 east, Mount Diablo base and meridian; east half southeast quarter section 36, township 27 south, range 37 east, Mount Diablo base and meridian; section 1; section 12; west half west half section 13; section 14; section 23; section 26; section 34; section 35, township 28 south, range 37 east, Mount Diablo base and meridian;

section 2; section 10; section 11; section 15; section 21; section 22; section 28; lots 1 and 2 section 33, township 29 south, range 37 east, Mount Diablo base and meridian; section 4; west half northwest quarter, southwest quarter section 10; lots "C" and "D" in tract numbered 43; southeast quarter northeast quarter section 21; north half northeast quarter, east half northwest quarter, northeast quarter southwest quarter, lots 3 and 4, section 28; lots 1, 6, 7, 8, and 9, section 32, township 30 south, range 37 east, Mount Diablo base and meridian; northeast quarter section 6, township 31 south, range 37 east, Mount Diablo base and meridian; section 24; section 26; section 34, township 31 south, range 36 east, Mount Diablo base and meridian; section 13, township 31 south, range 36½ east, Mount Diablo base and meridian; southeast quarter section 4; lots 19 and 20 section 8, township 32 south, range 36 east, Mount Diablo base and meridian, lying within the boundaries of a strip of land two hundred and fifty feet in width, the side lines of said strip being parallel with and distant, respectively, seventy-five feet easterly of and one hundred and seventy-five feet westerly of a line described as follows:

Beginning at a point in the north line of section 4, township 25 south, range 38 east, Mount Diablo base and meridian, distant thereon south eighty-nine degrees fifty-seven minutes forty-two seconds west six hundred forty-eight and twenty-nine one-hundredths feet from the northeast corner of said section 4; thence south five degrees thirteen minutes eighteen seconds east thirty-two thousand three hundred eighty-nine and forty-six one-hundredths feet to a point in the south line of section 34, township 25 south, range 38, east, Mount Diablo base and meridian, distant westerly thereon four hundred forty and fifty-two one-hundredths feet from the south quarter-corner of said section 34; thence continuing south five degrees thirteen minutes eighteen seconds east eleven thousand thirty-four and sixty-eight one-hundredths feet; thence south seventeen degrees thirty-five minutes twelve seconds west thirteen thousand three hundred fifty-nine and twenty-one one-hundredths feet; thence south twenty-two degrees thirty minutes forty-two seconds west eight thousand six hundred forty-five and eighty-nine one-hundredths feet to a point in the south line of section 33, township twenty-six south, range 38 east, Mount Diablo base and meridian, distant westerly thereon one thousand four hundred twenty-one and fifty-two one-hundredths feet from the south quarter-corner of said section 33; thence continuing south twenty-two degrees thirty minutes forty-two seconds west eleven thousand three hundred thirty and fifty-seven one-hundredths feet; thence south twenty degrees thirteen minutes thirty-five seconds west twenty-two thousand eight hundred forty-nine and forty-eight one-hundredths feet to a point on the south line of section 36, township 27 south, range 37 east, Mount Diablo base and meridian, distant westerly thereon three hundred thirty-six and fifty one-hundredths feet from the southeast corner of said section 36; thence continuing south twenty degrees thirteen minutes thirty-five seconds west thirty-three thousand six hundred eighty-eight and forty-five one-hundredths feet to a point in the south line of section 34, township 28 south, range 37 east, Mount Diablo base and meridian, distant easterly thereon nine hundred fifty-eight and forty one-hundredths feet from the south quarter-corner of said section 34; thence continuing south twenty degrees thirteen minutes thirty-five seconds west twenty-nine thousand eight hundred fifteen and twenty-three one-hundredths feet; thence south seventeen degrees three minutes thirty-three seconds east three thousand nine hundred twenty-eight and twenty-two one-hundredths feet to a point in the south line of section 33, township 29

south, range 37 east, Mount Diablo base and meridian, distant easterly thereon, one thousand three hundred nineteen and nine-tenths feet from the south quarter-corner of said section 33; thence continuing south seventeen degrees three minutes thirty-three seconds east ten thousand one hundred seventy-four and eleven one-hundredths feet; thence south sixteen degrees thirty-three minutes five seconds west seven thousand one hundred fifty-four and forty-nine one-hundredths feet to a point in the north line of section 21, township 30 south, range 37 east, Mount Diablo base and meridian, distant westerly thereon six hundred seventy-four and ninety one-hundredths feet from the northeast corner of said section 21; thence continuing south sixteen degrees thirty-three minutes five seconds west eight thousand four hundred sixty-five and sixty-six one-hundredths feet; thence south forty-one degrees thirty-four minutes thirteen seconds west ten thousand one hundred twenty-three and twenty-two one-hundredths feet to a point in the north line of section 5, township 31 south, range 37 east, Mount Diablo base and meridian, distant easterly thereon eight hundred nineteen and fifty one-hundredths feet from the northwest corner of said section 5; thence continuing south forty-one degrees thirty-four minutes thirteen seconds west two hundred eighty-two and thirty-two one-hundredths feet; thence south twenty-three degrees fifty-seven minutes thirteen seconds west sixteen thousand seven hundred eighty-six and seventy-eight one-hundredths feet to a point in the east line of section 13, township 31 south, range 36 east, Mount Diablo base and meridian, distant northerly thereon one thousand one hundred seventeen and forty one-hundredths feet from the southeast corner of said section 13; thence continuing south twenty-three degrees fifty-seven minutes thirteen seconds west three thousand four hundred fifty-two and seven one-hundredths feet; thence south thirty-nine degrees thirty-seven minutes thirty seconds west seventeen thousand five hundred eighty-two and eighty-four one-hundredths feet to a point in the north line of section 3, township 32 south, range 36 east, Mount Diablo base and meridian, distant westerly thereon ninety-three and forty-three one-hundredths feet from the north quarter-corner of said section 3; thence continuing south thirty-nine degrees thirty-seven minutes thirty seconds west thirty thousand two hundred seventy-two and twenty-six one-hundredths feet to a point in the west line of section 30, township 32 south, range 36 east, Mount Diablo base and meridian, distant northerly thereon eight hundred forty-two and fifteen one-hundredths feet from the west quarter-corner of said section 30.

With the following committee amendment:

Page 26, line 13, delete comma after word "thereon."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING ACT OF JUNE 7, 1924

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 2296) to amend and supplement the act of June 7, 1924 (43 Stat. 653), and for other purposes, with amendments of the Senate thereto, disagree to the Senate amendments and ask for a conference.

The SPEAKER. Is there objection to the request of the gentleman from North

Carolina? [After a pause.] The Chair hears none, and appoints the following conferees: Messrs. COOLEY, POAGE, ABBITT, HOPE, and AUGUST H. ANDRESEN.

CROP INSURANCE

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 3825) to amend the Federal Crop Insurance Act, with Senate amendments thereto and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments as follows:

Page 2, line 6, after "Board" insert: "Provided, That, except in the case of tobacco, such insurance shall not extend beyond the period the insured commodity is in the field."

Page 2, line 21, after "1950," insert "and continuing through the crops planted for harvest in 1951, 1952, and 1953."

Page 2, line 25, strike out "in which such insurance was provided in the previous year" and insert "specified above."

Page 6, line 19, strike out "and livestock."

Page 6, line 22, strike out "and livestock."

Page 7, after line 19, insert:

"SEC. 11. The expanded program authorized herein shall be instituted beginning with the 1950 crop year, the additional cost for fiscal year 1950 to be financed, pending the appropriation of supplemental funds, from any appropriation available for operating and administering expenses of the Corporation for such fiscal year."

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

[Mr. COOLEY addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. MURRAY of Wisconsin. Mr. Speaker, reserving the right to object, I think it might be well to call attention to some good things which the Eightieth Congress did. Many people have been told that they did not do very much good. Here is one legislative act of many where the Eightieth Congress made a constructive approach. It straightened out this crop-insurance mess. If you will check up, you will notice there is \$73,000,000 written off in this noble experiment. The activities of the Eightieth Congress resulted in bringing this crop-insurance waste to a head. We put a little sense into the program. You can go out and tell your people now that there is a crop-insurance program in operation that has some merit in it. It is now on an experimental basis. It is to be regretted that so many millions of dollars were wasted by the "wasters" before the Eightieth Congress straightened it out.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. COOLEY]?

There was no objection.

The Senate amendments were agreed to.

A motion to reconsider was laid on the table.

WEBER BASIN RECLAMATION PROJECT, UTAH

Mr. PETERSON. Mr. Speaker, I move to suspend the rules and pass the bill (S. 2391) to authorize the construction, operation, and maintenance of the Weber Basin reclamation project, Utah.

The Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Interior, through the Bureau of Reclamation, is hereby authorized to construct, operate, and maintain the Weber Basin project to consist of reservoirs, irrigation and drainage works, power plants, transmission lines, and similar works in and near Morgan, Davis, Summit, and Weber Counties, Utah, for the purposes of supplying irrigation water to lands, both new and presently irrigated; supplying municipal, industrial, and domestic water; controlling floods; and generating and selling electric energy to help meet the short supply of power in the area and as a means of making the whole project self-supporting and financially solvent; and for other beneficial purposes (including, but without limitation, the control and catchment of silt, improvement of the general quality of the water, the preservation and propagation of fish and wildlife, and the provision and improvement of recreational facilities), at an estimated cost of \$9,500,000, all in substantial accord with the recommendations made in that certain report, dated July 15, 1949, of the regional director, region IV, Bureau of Reclamation, entitled "Weber Basin project, Utah."

SEC. 2. The Secretary is authorized to apportion equitably the costs of constructing, operating, and maintaining (including therein reasonable provision for replacement) the project works herein authorized between, on the one hand, their flood control, recreational, and fish and wildlife purposes and, on the other hand, their irrigation, power, municipal, and other water-supply purposes. The former allocations shall be nonreimbursable and nonreturnable. The latter allocations shall be reimbursable and returnable: *Provided*, That general repayment obligations undertaken pursuant to subsections (c) and (d) of section 9 of the Reclamation Act of 1939 may extend over a period not exceeding 60 years.

SEC. 3. As a condition precedent to construction of any of the irrigation or drainage works herein authorized, there shall be established an organization in the State of Utah with powers satisfactory to the Secretary, including the power to tax property both real and personal within its boundaries and the power to enter into a contract or contracts with the United States for payment of reimbursable costs allocated to irrigation, municipal water supply, and other miscellaneous purposes.

SEC. 4. This act shall be a supplement to the Federal reclamation laws (act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof or supplementary thereto), the provisions whereof shall govern the construction, operation, and maintenance of the Weber Basin project except as otherwise herein provided.

SEC. 5. There are hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, such sums as may be required to carry out the purposes of this act.

The SPEAKER. Is a second demanded? [After a pause.] The Chair hears none.

Mr. GRANGER. Mr. Speaker, I want to take this opportunity to tell the Members of the House that the project proposed in this bill, H. R. 799, known as the Weber Basin project, is the most important single reclamation project yet proposed for construction in the State of Utah, and that it is not confined by my congressional district alone.

This Weber Basin project is located in the center of the most populous section of Utah. It will not only serve the needs of irrigation, but also flood control, municipal water supplies, and recreation,

any one of which would warrant the development of this project. This arid section must be irrigated, and the proposed project will provide a full season supply of water for this 100,400 acres of farm lands. The water is there if we will but construct the facilities to regulate and distribute surplus stream flows which fluctuate widely from season to season. Only with additional storage capacity and distribution can the utilization of this priceless natural resource—water—be realized.

The rapidly growing population of the Weber Basin area, where four large, permanent military installations—Hill Field, Utah General Depot, Ogden Arsenal, and the naval supply depot, were established during World War II, has greatly increased the demands for locally produced foods and other agricultural products. The population of this area has increased from 90,000 in 1940 to 127,000 in 1947, which is an increase of 41 percent, and represents 20 percent of the population of the State of Utah. There are in this area large acreages of land suitable for irrigation farming which can supply local demands for food if water is made available. An average of 285,000 acre-feet of water would be provided annually by this project, and of this total supply 245,000 acre-feet would be utilized by irrigation. Hydroelectric energy would be generated to supply project pumping energy during the irrigation season.

I mentioned that this project was important as a flood control measure, and I know that I need not say more than that Weber Basin is located in a valley with high mountains to the north, the east, and the south. During the winter months, heavy snows cover these mountains and when spring thaws begin, the two rivers, known as the Ogden River and the Weber River, cannot possibly hold the swollen streams, and so yearly spring floods are the result. This precious water rushes out over the lands and carries the topsoil into the Great Salt Lake. You will be interested in knowing that this project provides for further regulation of the flows of the Weber River by means of upstream reservoirs and an off-stream reservoir on the east shore of Great Salt Lake. Flood damage along these rivers would be materially reduced by the storage regulation and canal diversions of flood flows.

Of course, with this increased population that I have mentioned, has come a need for increasing dependable supplies of municipal water. Water systems which were planned a decade ago have been overtaxed. Only the above-normal precipitation during the past few years has prevented serious shortages. If we should have a recurrence of extended periods of below-normal precipitation or of extreme drought, the situation would be critical. Of the total supply of water which it is anticipated will be made available by this project, 40,000 acre-feet would be used for municipal purposes in communities in Davis and Weber counties which comprise the new defense area.

While it is estimated that this project will approximate \$70,000,000, I hasten to assure my colleagues that the benefits

[PUBLIC LAW 268—81ST CONGRESS]

[CHAPTER 512—1ST SESSION]

[H. R. 3825]

AN ACT

To amend the Federal Crop Insurance Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

“(a) Commencing with crops planted for harvest in 1948, for the purpose of determining the most practical plan, terms, and conditions of insurance for agricultural commodities, if sufficient actuarial data are available, as determined by the Board, to insure, or to reinsure insurers of, producers of such agricultural commodities under any plan or plans of insurance determined by the Board to be adapted to any such commodity. Such insurance shall be against loss of the insured commodity due to unavoidable causes, including drought, flood, hail, wind, frost, winterkill, lightning, fire, excessive rain, snow, wildlife, hurricane, tornado, insect infestation, plant disease, and such other unavoidable causes as may be determined by the Board: *Provided*, That, except in the case of tobacco, such insurance shall not extend beyond the period the insured commodity is in the field. In 1948 insurance shall be limited to not more than seven agricultural commodities (including wheat, cotton, flax, corn, and tobacco) and to not more than three additional agricultural commodities in each year thereafter: *Provided*, That other agricultural commodities may be included in multiple crop insurance (insurance on two or more agricultural commodities under one contract with a producer). Insurance shall be limited to producers in not to exceed two hundred counties in the case of wheat, fifty-six counties in the case of cotton, fifty counties each in the case of corn and flax, thirty-five counties in the case of tobacco, twenty counties in the case of any other agricultural commodity, and, in addition, fifty counties in the case of multiple crop insurance: *Provided*, That, beginning with crops planted for harvest in 1950, and continuing through the crops planted for harvest in 1951, 1952, and 1953, the number of counties for insurance on wheat, cotton, corn, flax, and tobacco, and for multiple crop insurance may be increased each year by not in excess of 50 per centum of the number of counties specified above and the county limitations specified for other insurance may be similarly increased as to any agricultural commodity after insurance for such commodity has been provided for three years. Reinsurance for private insurance companies shall be limited to not to exceed twenty counties which may be selected without regard to the other county limitations specified herein. Any insurance offered against loss in yield shall not cover in excess of 75 per centum of the recorded or appraised average yield of the commodity on the insured farm for a representative period

subject to such adjustments as the Board may prescribe to the end that the average yields fixed for farms in the same area, which are subject to the same conditions, may be fair and just: *Provided*, That if 75 per centum of the average yield represents generally more protection than the investment in the crop in any area, taking into consideration recognized farming practices, the Board shall reduce such maximum percentage so as more nearly to reflect the investment in the crop in such area. Insurance provided under this subsection shall not cover losses due to the neglect or malfeasance of the producer, or to the failure of the producer to reseed to the same crop in areas and under circumstances where it is customary to so reseed, or to the failure of the producer to follow established good farming practices. Counties selected by the Board shall be representative of the several areas where the agricultural commodity insured is normally produced. The Board may limit or refuse insurance in any county or area, or on any farm, on the basis of the insurance risk involved. Insurance shall not be provided in any county unless written applications therefor are filed covering at least two hundred farms or one-third of the farms normally producing the agricultural commodity, excluding farms refused insurance on the basis of the risk involved; nor shall insurance on any agricultural commodity be provided in any county in which the Board determines that the income from such commodity constitutes an unimportant part of the total agricultural income of the county. The Corporation shall report annually to the Congress the results of its operations as to each commodity insured."

SEC. 2. Subsection (b) of section 508 of the Federal Crop Insurance Act, as amended, is amended by striking out the proviso in the second sentence and the colon which precedes it and substituting a period therefor.

SEC. 3. Subsection (c) of section 508 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

"(c) To adjust and pay claims for losses in the agricultural commodity or in cash, under rules prescribed by the Board: *Provided*, That indemnities may be determined on the same price basis as premiums are determined for the crop with respect to which such indemnities are paid. The Corporation shall provide for the posting annually in each county at the county courthouse of a list of indemnities paid for losses on farms in such county. In the event that any claim for indemnity under the provisions of this title is denied by the Corporation, an action on such claim may be brought against the Corporation in the United States district court, or in any court of record of the State having general jurisdiction, sitting in the district or county in which the insured farm is located, and jurisdiction is hereby conferred upon such district courts to determine such controversies without regard to the amount in controversy: *Provided*, That no suit on such claim shall be allowed under this section unless the same shall have been brought within one year after the date when notice of denial of the claim is mailed to and received by the claimant."

SEC. 4. Subsection (a) of section 504 of the Federal Crop Insurance Act is amended by striking out the second sentence thereof.

SEC. 5. The Secretary of the Treasury is hereby authorized and directed to cancel, without consideration, outstanding receipts for pay-

ments for or on account of the stock of the Corporation in excess of \$27,000,000.

SEC. 6. Subsection (b) of section 504 of the Federal Crop Insurance Act is amended to read as follows:

“(b) There is hereby authorized to be appropriated such sums as are necessary for the purpose of subscribing to the capital stock of the Corporation.”

SEC. 7. Subsection (c) of section 505 of the Federal Crop Insurance Act, as amended, is amended by striking out the second sentence and inserting in lieu thereof the following: “The members of the Board who are not employed by the Government shall be paid such compensation for their services as directors as the Secretary of Agriculture shall determine, but such compensation shall not exceed \$50 per day each when actually employed and transportation expenses plus not to exceed \$10 per diem in lieu of subsistence expenses when on business of the Corporation away from their homes or regular places of business.”

SEC. 8. Subsection (h) of section 506 of the Federal Crop Insurance Act, as amended, is amended to read as follows:

“(h) may conduct researches, surveys, and investigations relating to crop insurance and shall assemble data for the purpose of establishing sound actuarial bases for insurance on agricultural commodities.”

SEC. 9. Section 518 of the Federal Crop Insurance Act, as amended, is amended by striking therefrom the words “determined by the Board pursuant to subsection (a) (2) of section 508 of this title” and substituting therefor the words “determined by the Board pursuant to subsection (a) of section 508 of this title”.

SEC. 10. Subsection (a) of section 507 of the Federal Crop Insurance Act is amended to read as follows:

“(a) The Secretary shall appoint such officers and employees as may be necessary for the transaction of the business of the Corporation pursuant to civil-service laws and regulations, fix their compensation in accordance with the provisions of the Classification Act of 1923, as amended, define their authority and duties, delegate to them such of the powers vested in the Corporation as he may determine, require bond of such of them as he may designate, and fix the penalties and pay the premiums of such bonds: *Provided*, That personnel paid by the hour, day, or month when actually employed, and county crop insurance committeemen may be appointed and their compensation fixed without regard to civil-service laws and regulations or the Classification Act of 1923, as amended.”

SEC. 11. The expanded program authorized herein shall be instituted beginning with the 1950 crop year, the additional cost for fiscal year 1950 to be financed, pending the appropriation of supplemental funds, from any appropriation available for operating and administrative expenses of the Corporation for such fiscal year.

Approved August 25, 1949.

